REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF 1935-36.

Volume I—Report

Part I—Civil, Posts and Telegraphs, and Defence Services.

D BY THE MANAGER OF PUBLICATIONS, DELHI.
HE MANAGER, GOVERNMENT OF INDIA PRESS, SIMLA.
1937

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of the Report and Proceedings deals with the Railway Accounts.

Composition of the Public Accounts Committee, 1937.

Chairman.

1. The Hon'ble Mr. J. C. Nixon, C.S.I., C.I.E., I.C.S. — Finance Member.

Elected Members.

Member	*Date of Election.*
2. Mr B. Das	23rd March 1937.
3. Prof. N. G Ranga	Ditto
4. Sirdar Jogendra Singh	Ditto.
5. Mr. J. Ramsay Scott	Ditto
6. Captain Sardar Sir Sher Mohammad Khan, Kt , C.I E., M B E	23rd March 1936.
7. Mr. S. Satyamurti	Ditto.
8. Maulvi Sir Mohammad Yaqub, Kt.	Ditto.
9 Bhai Parma Nand	Ditto.

Nominated Members.

Member	*Date of nomination.*
10. Dr. R D Dalal, C.I.E.	30th April 1935.
11. Khan Bahadur Shaikh Fazl-i-Haq Piracha.	Ditto.
12. Khan Bahadur Sir Abdul Hamid, Kt , C.I.E. O B E	15th July, 1937.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

Part I.—Civil, Posts and Telegraphs, and Defence Services.

Financial results of the year—The following table compares the original grants or appropriations with the expenditure actually incurred during the year :—

(In lakhs of rupees.)

	Original grant	Final grant	Actual expenditure.
Expenditure charged to revenue (voted)	26,88	30,66	30,33
Expenditure charged to capital (voted)	1,61	1,90	1,21
	28,49	32,76	31,54
Disbursement of loans and advances (voted)	11,71	11,83	10,79
Total (voted)	40,20	44,59	42,33
Expenditure charged to revenue (non-voted)	76,12	77,15	77,07
Expenditure charged to capital (non voted)	5,23	5,25	5,44
Total (non voted)	81,35	82,40	82,51
Total expenditure charged to revenue	103,00	108,01	107,40
Total expenditure charged to capital	6,84	7,15	6,65
Disbursements of loans and advances	11,71	11,83	10,79
Grand total	121,55	126,99	124,84

There was thus a total saving of Rs 2,15 lakhs or 1·69 per cent of the final grant

The following table shows the percentage of savings in the three main sections of the budget for each of the last five years :—

	1931-32	1932-33	1933-34	1934-35	1935-36.
Expenditure charged to revenue	3·2	1·9	1·0	—1·1	·56
Expenditure charged to capital	11·4	8·3	15·2	8·9	6·99
Disbursements of loans and advances	10·8	37·1	23·3	49·2	8·79
Combined percentage	4·3	5·9	2·7	2·9	1·69

It is satisfactory to note that the percentages for 1935-36 are in all cases lower than those of the previous year.

2. *Excesses.*—In the following cases the actual expenditure exceeded the grants voted by the Legislature :—

	Final Grant.	Actual expenditure.	Excess.
	Rs.	Rs.	Rs.
(1) 23—Indian Posts and Telegraphs Department.	10,55,95,000	10,58,07,734	2,12,734
(2) 26.—Interests on Miscellaneous Obligations	66,28,000	66,78,358	50,358
(3) 28.—Executive Council	90,000	1,00,381	10,381
(4) 30.—Legislative Assembly and Legislative Assembly Department.	7,25,000	7,38,556	13,556
(5) 33.—Public Service Commission ..	1,79,000	1,79,605	605
(6) 47.—Lighthouses and Lightships ..	9,40,000	9,46,405	6,405
(7) 54.—Mines	1,24,000	1,24,815	815
(8) 57.—Medical Services	6,22,000	6,24,714	2,714
(9) 65.—Census	1,000	1,644	644
(10) 67.—Emigration—External	1,91,000	2,02,464	11,464
(11) 77.—Refunds	1,45,75,000	1,53,43,038	7,68,038
(12) 80.—Delhi	44,69,000	44,79,718	10,718
(13) 85.—Hyderabad	42,000	43,594	1,594
(14) 98.—Interest free advances	82,18,000	84,87,613	2,69,613

The more important excesses are briefly explained below :—

Item (*1*).—The excess was mainly due to pensionary charges. As this was the first year in which the Posts and Telegraphs Department were paying the actual pensionary charges instead of contributions on this account, accurate estimating was difficult.

Item (*2*).—Unexpectedly heavy payments had to be made to the Post Office on account of Savings Bank and Cash Certificate work. These payments are based on the actual number of transactions handled by the Post Office.

Item (*3*).—More expenditure was incurred on touring than could have been anticipated.

Item (*4*).—Contrary to the usual practice, some members of the Legislative Assembly claimed daily allowance for March 1936 during that month instead of in the succeeding month.

Item (*10*).—This excess was mainly due to additional items of expenditure in the South African Agency. Measures have since been taken to improve the control of expenditure in that Agency.

Item (*11*).—Large refunds of customs revenue had to be made in the closing months of the year. This item will not appear in future years in view of the decision that refunds should be treated as deductions from revenue.

Item (14).—Unexpectedly heavy debits were received during the closing months of the year on account of civil advances and charges for the destruction of coin. These items, like refunds, are not susceptible of accurate budgeting

We recommend that the necessary excess grants be voted by the Legislative Assembly.

3 *Irregular reappropriations and special items of expenditure*.—Rule 52 (2) of the Indian Legislative Rules requires us to bring to the notice of the Assembly every reappropriation from one grant to another, every reappropriation within a grant which is not made in accordance with the rules prescribed by the Finance Department, and any items of expenditures which the Finance Department may request us to bring specially to notice We have no items to report under any of these heads

4. *Minutes of Proceedings*.—We append the minutes of our proceedings which we desire, as usual, to be regarded as a part of our report In the following paragraphs we shall refer only to some of the more important questions considered in the course of our discussions

5 *Accuracy of budgeting and control over expenditure*.—In last year's report a reference was made to the instructions issued by the Finance Department on this subject in October 1935 We hope that these instructions, and the supplementary instructions which are printed as an appendix to this report, will lead to an improvement in future years The Accounts for 1935-36 again showed large variations between the original estimates and the actual expenditure in certain cases Such variations were especially noticeable in Grants 63 and 63-B "Civil Aviation", parts of Grant 73 "Civil Works", Grant 92-A "Capital Outlay on Schemes of Agricultural Improvement and Research", Grant 94,—"Capital Outlay on Vizagapatam Harbour", Grant 97—"Delhi Capital Outlay" and the non-voted Appropriations "Political" and "Frontier Watch and Ward". We realise that in some of these cases the variations were partly due to circumstances special to that year, but we should like to emphasise our recommendation that in cases where the figures for 1936-37 again show substantial savings the advisability of imposing lump cuts should be considered

We frequently had occasion to notice variations which were due to accounting adjustments effected during the course of the year We wish to reaffirm, and consider that all the authorities concerned should be reminded of a principle which has previously been accepted but which appears to have been overlooked in a considerable number of cases, namely, that even if budget provision has originally been made under an incorrect unit, the corresponding expenditure should be brought to account against that unit, unless there be strong reasons for a contrary course, *e g*, when such accounting would be contrary to law The accounting authorities should take suitable action to ensure that provision is made correctly in the next year's budget

We also wish to draw attention to our recommendation that the Finance Department, in consultation with the Auditor-General, should experiment with a few grants in order to see whether larger units of appropriation, both for budgeting and for appropriation report purposes, would not lead to more accurate estimating and indeed to economy On

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Part I—Civil, Posts and Telegraphs and Defence Services.

Financial results of the year.—The following table compares the original and final grants and appropriations with the actual expenditure for the year —

(In lakhs of Rupees.)

	Original grant or appropriation	Final grant or appropriation	Actual expenditure
Expenditure charged to revenue (Voted)	24,76	24,92	23,66
Expenditure charged to capital (Voted)	2,92	2,92	2,59
	27,68	27,84	26,25
Disbursements of loans and advances (Voted)	1,41	1,47	1,30
Total (Voted)	29,09	29,31	27,55
Expenditure charged to revenue (Non-voted)	78,40	79,02	78,91
Expenditure charged to capital (Non voted)	14	10	8
	78,54	79,12	78,99
Disbursement of loans and advances (Non-voted)	.	1	1
Total (Non-voted)	78,54	79,13	79,00
Total expenditure charged to revenue	1,03,16	1,03,94	1,02,57
Total expenditure charged to capital	3,06	3,02	2,67
Total disbursements of loans and advances	1,41	1,48	1,31
GRAND TOTAL	1,07,63	1,08,44	1,06,55

There was thus a total saving of Rs. 189 lakhs or 1 74 per cent of the final grant.

The following table compares the percentages of savings in the three main sections of the budget for the last five years —

	1934 35	1935-36	1936 37	1937-38.	1938-39.
Expenditure charged to revenue	—1 1	56	35	73	1 32
Expenditure charged to capital	8 9	6 99	16 78	34·4	11·59
Disbursements of loans and advances	42 2	8 79	50 92	9 52	11·42
Combined percentage ..	2 9	1 09	3 21	1·24	1·74

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

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	1934 35	1935 36	1936 37	1937-38	1938-39
Expenditure charged to revenue	—1 1	56	35	73	1 32
Expenditure charged to capital	8 0	6 99	16 78	†34·4	11·59
Disbursements of loans and advances	49 2	8 79	50 82	9 52	11·49
Combined percentage	2 9	1 69	3 21	1 24	1·74

Proceedings of the sixth meeting* of the Public Accounts Committee held on Monday, the 26th of July 1937, at 11 A.M.

PRESENT:

The Hon'ble Mr J. C. Nixon, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr B. Das.	Members.
Professor N. G. Ranga.	
Captain Sardar Sir Sher Muhammad Khan, Kt., C.I.E., M.B.E.	
Mr S. Satyamurti.	
Maulvi Sir Muhammad Yakub, Kt.	
Bhai Parma Nand.	
Dr R. D. Dalal, C.I.E.	
Khan Bahadur Shaikh Fazl-i-Haq Piracha.	
Khan Bahadur Sir Abdul Hamid, Kt., C.I.E., O.B.E.	
Mr M. S. A. Hydari, C.I.E., I.C.S., Secretary, Education, Health and Lands Department.	Witnesses.
Mr [illegible] W. Yeatts, I.C.S., Joint Secretary, Education, Health and Lands Department.	
Mr [illegible] K. [illegible], Accountant-General, Central Revenues.	
Mr A. J. Raisman, C.I.E., I.C.S., Finance Secretary.	

Karnal Farm.—A member of the Committee drew attention to the fact that the loss on the Karnal sub-station of the Imperial Institute of Agricultural Research had been higher in 1935-36 than in previous years. It was explained that the main purposes of the sub-station were research and demonstration and it could not therefore be expected to be self-supporting. There was reason to hope, however, that the loss for 1936-37 would be appreciably less than that of the year under report. The Committee agreed that no further action need be taken for the present, but they considered that it would be necessary to continue to keep a careful watch on institutions of this kind in order to ensure that their usefulness was sufficient to justify the expenditure involved. If this condition were not satisfied they should either be made self-supporting or be closed down. The Committee looked forward to seeing the review of such institutions which it was understood the Department was preparing for members of the Legislature.

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*The proceedings of the first five meetings deal with the Railway Accounts.

2. New Delhi Municipality.—In connection with paragraph 64 of the Audit Report the Accountant-General, Central Revenues, stated that there had been an improvement in financial control since the appointment of a resident accountant subordinate to the Accountant General to supervise the accounts of the Municipality. It had not yet, however, been possible to introduce proper balance sheets and profit and loss accounts for the commercial undertakings of the New Delhi Municipality, since certain issues were still outstanding, of which the most important were the valuation of the assets taken over by the Municipality and the principles to be applied in regard to reserves. The Committee considered that there had been regrettable delay in reaching decisions on these points, and they hoped that the necessary orders would be passed as quickly as possible.

3. Grant no 21—Forests.—The Committee noted that the additional expenditure under head A.-3 had been due to the travelling expenses of the Inspector-General in connection with the Fourth Empire Forestry Conference in Africa. They presumed that the report of the Conference would be made available to persons in India who were likely to be interested.

There was some discussion regarding the Forest Research Institute at Dehra Dun. It was explained that the Government of India were now proposing to re-open the College as an experimental measure, and they hoped that the enterprise would secure the co-operation of the Provincial Governments.

4. Grant no 45—Survey of India.—A number of questions were asked with regard to the items in this Grant where there had been substantial variations from the original estimates. The explanations given by the departmental representatives were, however, accepted as satisfactory so far as expenditure in India was concerned. In connection with head "G.—English Charges (High Commissioner) on Stores" the Committee considered that the procedure adopted in connection with the acknowledgment of surrenders should be investigated in order to ascertain whether the responsibility of the various authorities concerned had been clearly defined.

5. Map Record and Issue Office.—In connection with the statement given on page 142 of the Appropriation Accounts the Committee wished to be informed whether any investigation had recently been undertaken with a view to improving the financial position of the Map Sales Department.

6. Photo Litho Office.—A member of the Committee drew attention to the high figures given in the store account of this office. It was explained that the present policy was to maintain a sufficient stock to last for about 2½ years in case supplies should be cut off by war or some other emergency when consumption might at the same time be greatly enhanced. The Committee were doubtful whether this was a sufficient reason for holding so large a stock, and they desired that the question should be further investigated.

7. Mathematical Instrument Office, Calcutta.—The Committee considered the memorandum which had been circulated on this subject (appendix IV). It was stated in the course of the discussion that the decrease in receipts was partly due to the decision of the military authorities to have some of their work done in their own factories instead of

sending it to the Mathematical Instrument Office. The Committee desired that the Finance Department should ascertain whether this division of work was economical for the Government of India as a whole. They also wished it to be considered whether the Mathematical Instrument Office should not be permitted to take work direct from the public even if this involved entering into competition to some extent with private firms.

The Committee also suggested that if the Mathematical Instrument Office was in future to be treated as a service department the maintenance of *pro forma* accounts would appear to be unnecessary.

8. *Grant no. 51—Botanical Survey.*—The Committee noted that the head "B—Cinchona Plantation" would practically disappear in the current financial year, since the cinchona plantations formerly owned by the Government of India were situated in Burma. In view of this fact they wished it to be considered whether it was really necessary to retain the post of Director of the Botanical Survey.

In connection with the statement relating to the stock of quinine sulphate Mr. Hydari explained that although the Government of India were no longer producing quinine, they proposed to maintain a reserve of about 10,000 pounds for war and other emergencies. The question whether plantations should be started in India, and if so, whether they should be under the control of the Central or Provincial Governments, was being investigated.

9. *Grant no. 52—Archaeology.*—A member of the Committee drew attention to the statement made in the "Important Omissions" that since the officer who had been responsible for the loss had retired from service no disciplinary action against him was possible. The Committee considered that the legal difficulties, if any, with regard to the recovery of money due from an officer on pension should be examined and if necessary legislation should be undertaken to remove them.

10. *Grant no. 55—Other Scientific Departments.*—A member of the Committee drew attention to the fact that a considerable sum was being paid on account of municipal taxes on the buildings of the Indian Museum, Calcutta. Mr. Hydari undertook to investigate the question whether exemption from such taxes could not be claimed on the ground that the buildings in question existed for a charitable purpose.

The Committee adjourned at 1-25 p.m.

Proceedings of the seventh meeting of the Public Accounts Committee held on Monday, the 26th of July 1937, at 2-45 p.m.

PRESENT :

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. B. DAS.
Professor N. G. RANGA.
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.
Mr. S. SATYAMURTI.
Maulvi Sir MOHAMMAD YAKUB, Kt.
Bhai PARMA NAND.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.

} *Members.*

Mr. M. S. A. HYDARI, C.I.E., I.C.S., Secretary, Education, Health and Lands Department.
Mr. M. W. YEATTS, I.C.S., Joint Secretary, Education, Health and Land Department.
Mr. N. C. MEHTA, I.C.S., Vice Chairman, Imperial Council of Agricultural Research.
Mr. BAZLUL KARIM, Secretary, Imperial Council of Agricultural Research.
Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues.

} *Witnesses.*

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.

11. *Grant no. 57—Medical Services.*—In connection with the provision for grants-in aid a member of the Committee raised the question whether Government receive satisfactory accounts of the receipts and expenditure of all institutions to whom such grants are paid. It was agreed that the Government of India should insist on obtaining an audited statement of accounts in all such cases.

12. *Grant no. 59—Public Health.*—The Committee considered that the explanation given for the increase of expenditure under head A-3 was inadequate, and that in future the departments concerned should supply fuller explanations in such cases in time for incorporation in the accounts.

[illegible]. Grant no. [illegible]—*Agriculture.*—The Committee noted that the savings under several heads in this Grant were stated to be due to " economy to meet the cost of transfer of the Institute from Pusa to Delhi ". It was agreed that this explanation was misleading, since the savings had in fact been due not to economy but to the fact that the full activities of the Institute could not be carried on after the earthquake. The Committee considered that in this case, as in the case noted under " Public Health ", the department should have supplied a more satisfactory explanation in time for incorporation in the accounts.

The Committee presumed that the expenditure in connection with schemes of agricultural development in Sind would cease to be met from central revenues with effect from the 1st of April 1937.

The Committee noted that the supplementary grant under " Q—Payments from Sugar Excise Duty to Sugar Manufacturing Provinces " was due to the fact that a provision for these payments had originally been made in another grant. They wished to reiterate that unless there was some statutory bar expenditure should during the year follow even incorrect budget provision in other grants.

Professor Ranga suggested that the amount provided for the purpose of improving the sugar industry should be funded and made over to the industry when it is in a position to make suitable use of the money. The Chairman agreed to consider this suggestion.

[illegible] *Military Dairy Farms Depot.*—In connection with the commercial accounts of this Depot it was explained that the loss shown for the year 1935-36 was due to a more correct system of accounting. No deduction had been made, as in previous years, on account of " depreciation and reserve " and an impossibly high figure had previously been given for the value of the cattle, which was written down during the course of the year. It was admitted that no decision had yet been reached on the question, to which a reference was made in last year's report, whether the Depot should be obliged to sell milk and other products to the military authorities at less than the cost of production. The Committee deprecated the delay in solving this problem, and hoped that it would soon be satisfactorily settled.

[illegible]. Grant no. [illegible]—*Civil Veterinary Services.*—It was explained that the Institute at Muktesar was primarily a research institute and not a profit-making concern. The Committee hoped, however, that the Education, Health and Lands Department would not allow the business side of the Institute to go by default, and that they would keep in touch with the Provincial Governments with a view to maximising the profits realised on its products.

[illegible]. Grant no. [illegible]—*Emigration—External.*—In connection with the large excess under head A-4, noted, it was admitted that control over expenditure in the South African Agency had previously been unsatisfactory. It was hoped, however, that it would improve in future years since the Secretary to the Agent-General has now been made personally responsible for this work.

[illegible]. Grant no. [illegible]—*Andaman and Nicobar Islands. Account II—Forests.*—The Committee noted that the amounts shown under a number of heads in this Grant were very small, and considered that it would be

preferable if they could be amalgamated. Such amalgamation might facilitate financial control and enable the Committee to obtain a better idea of the accuracy of budgeting over the whole Grant. It was agreed that the Finance Department and the Auditor-General should experiment with two or three Grants in the first instance in order to see whether larger units could not be generally introduced.

The Committee noted with approval the statement made in paragraph 199 of the Commercial Appendix that the accounts of the Andaman Forest Department for 1935-36 showed a net profit of Rs. 56,977 against a loss of Rs 39,464 in the previous year.

In connection with paragraph 212 of the Commercial Appendix the Committee considered that on the information available the loss on the sale of "Rosamond" should not have been debited to capital.

18. *Grant no 92-A.—Capital outlay on schemes of agricultural improvement and research.*—In connection with the saving under head A.1 it was explained that if the new Institute had been erected on the site originally proposed the full amount would probably have been required. The site had, however, been changed on the advice of the experts after a supplementary grant had been voted by the Legislature. It was admitted that, in view of the circumstances in which the transfer of the Institute from Pusa to Delhi had been sanctioned by Government, funds had been provided before the scheme had been worked out in as much detail as would ordinarily be considered desirable.

The Committee considered that heads A.1 to A.6 in this Grant appeared to be another instance of excessive sub-division.

19. *Grant no 60.—Imperial Council of Agricultural Research Department.*—It was explained that all grants given by the Imperial Council of Agricultural Research Department are carefully audited by the appropriate Government auditors. It was also stated that in allotting their funds the Council do give some consideration to the needs of the poorer provinces although their main principle is to spend their money where it can be most usefully employed.

The Committee adjourned at 5-30 p.m.

Proceedings of the eighth meeting of the Public Accounts Committee held on Tuesday, the 27th of July 1937, at 11 a.m.

PRESENT :

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Member.	*Chairman.*
Mr. B. DAS.	*Members.*
Professor N. G. RANGA.	
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.	
Mr. S. SATYAMURTI	
Maulvi Sir MOHAMMAD YAKUB, Kt.	
Bhai PARMA NAND.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur Sir ABDUL HAMID, Kt. C.I.E., O.B.E.	
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA	
Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.	*Witness.*

Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues.

20. *Key statement to the Appropriation Accounts.*—The Committee noticed that in some cases the references given in the key statement prepared by the Auditor-General related to points which had already been considered in connection with previous references. They requested that if possible such repetitive references should be omitted from future statements. Some members also suggested that it would be a convenience if the statement could be printed in larger type.

21. *Reappropriations.*—The Chairman suggested that in dealing with, at any rate some of the grants the Committee had perhaps been too strict in imposing conditions on reappropriations. On the assumption that there was no deliberate overbudgeting in the original estimates, reappropriations might in fact be desirable so long as the object of the reappropriation was within the scope of the grant as passed by the Legislature. Items relating to " new services " certainly required the vote of the Legislature. As regards other items however all that could reasonably be said was that any considerable modification between the sub-heads of a grant raised a question whether the Department concerned had gone beyond the ' scope of the Grant '. There was considerable discussion on this question, but the Committee considered that the orders conveyed in paragraph 3 of the Finance Department's memorandum dated the 9th of October 1935 (Appendix VIII to the Report on the Accounts of 1934-35) were satisfactory, and that no alteration appeared to be necessary. In this connection the Chairman circulated copies of the Finance Secretary's demi-official letter dated the 11th of March 1937 (appendix V).

22. *Excessive detail in budget proposals.*—The Committee agreed, at the instance of Mr. Satyamurti, to make the following recommendation on this subject :—

"We are informed by the Finance Department that the degree of detail with which budget proposals are submitted to it constitutes in some sense an impediment to the accurate budgeting of expenditure. Whereas the addition of a multiplicity of small item of expenditure cannot be refuted, the proposition often still holds that a certain total will accommodate these special features as it has done in the past. We think it worth while that an experiment in regard to certain grants (to be chosen in consultation with the Auditor General) should be undertaken to see if larger units of appropriation both for budgeting and for appropriation report purposes would not, by reducing the probability of reappropriations, lead to more accurate estimating and indeed to economy. The departments concerned would be responsible for distributing these lump sums over the detailed heads which now appear in the budget demand, as we anticipate no reduction in the amount of information supplied in the book of Demands for Grants. Also we should make it clear that this would not have the effect of reducing the appropriation audit by the smaller units at present done by the Audit Department in order to aid the controlling officers."

23. *Capital and revenue expenditure.*—It was explained that the general principle was that only remunerative expenditure should be charged to capital. Most Governments had however found it necessary to make some exceptions to this rule in connection with unavoidable items of unremunerative expenditure which were too large to be met from current revenues. It was suggested that such exceptions might not have very serious effects if the amount could be recovered from revenue within a short period, but the danger was that the period would be unduly prolonged. Mr Satyamurti considered that in order to finance their schemes of development the Provincial Governments would probably have to apply the rule less rigidly than had been done in the past. In this connection the Chairman pointed out that if such expenditure were charged to capital, there would not only be a large increase in interest charges but it would also be necessary to increase the provision for the redemption of debt. Increased recurring resources would therefore in any case be necessary.

24. *Excess Grants.*—The Committee recommended that excess grants should be voted by the Legislature in all the cases mentioned in paragraph 45 of the Audit Report.

25. *Loss or gain by exchange.*—In connection with paragraph 50 of the Audit Report it was explained that the standard rate of 1s 6d was used for the purpose of accounting for individual transactions. The market rates, however, represented the amount actually spent and the difference was accounted for in one item.

26. *Budgeting and control of expenditure.*—Mr Satyamurti drew attention to the statement made in paragraph 52 of the Audit Report that in accordance with the standing instructions excesses should only "in the last resort" be met by supplementary grants. He suggested that it would be preferable for departments to apply for supplementary grants rather than reduce desirable expenditure in order to obtain savings. It was explained, however, that when items are met by reappropriation

not ordinarily involve deliberate postponement of other items included in the original budget ; in most cases the amount reappropriated represents casual savings.

27. *Delay in the presentation of claims.*—In connection with paragraph 53 of the Audit Report it was pointed out that in the case of private creditors departments could not be expected in most instances to obtain information regarding their intentions in respect of the presentation of claims. In the case of claims between Government departments or offices, however, it was certainly desirable, as the Committee had already noted in connection with the Railway Accounts, that there should be a greater degree of collaboration.

28. *Delay in receipt of stores.*—In connection with the suggestion made on this subject in the same paragraph of the Audit Report the Committee agreed that it was not desirable to ask departments not to place orders for purchase during the closing months of the year, if such purchases were otherwise necessary, merely in order to avoid variations in the accounts.

29. *Funds created from revenue surpluses.*—It was explained that considerable expenditure was now being incurred from the funds for the development of civil aviation and the development of broadcasting. As regards the fund for economic development and improvement in rural areas the Committee were informed that the Government of India had now decided not to place further grants at the disposal of the Provinces unless they were satisfied that the money was likely to be spent within a reasonable period. The main purpose of this restriction was to stimulate the Provincial Governments to formulate their schemes without unnecessary delay, and there was no intention of diverting for other purposes any portion of the amounts which had been credited to the fund.

30. *Grant no. 25—Interest on Ordinary Debt.*—In connection with the "Important Comment" on the loss of Government money by fraud the Chairman stated that an appeal was being made to the Privy Council. If the appeal failed it would probably be necessary to provide for the signing of indemnity bonds in such cases, and it might be necessary to amend the Act.

31. *Provision for reduction or avoidance of debt.*—Some members of the Committee suggested that the provision of three crores which is at present made annually for this purpose is not sufficient. The Chairman stated that he agreed with this view and that the question was now being reconsidered.

32. *Grant no. 27—Staff, Household and Allowances of the Governor-General.*—The Committee noted that the savings in the provision for "State conveyances and motors" were stated to have been carried forward to the next year. They considered that these savings should have been surrendered, and they wished the procedure adopted in such cases to be investigated.

33. *Grant no. 36—Finance Department.*—The Committee considered that the Finance Department might have foreseen at the budget stage some of the events which occasioned a supplementary appropriation under the head A. 1 "Pay of Officers"—non-voted.

The Committee adjourned at 1-30 p.m.

Proceedings of the ninth meeting of the Public Accounts Committee held on Tuesday, the 27th of July 1937, at 2-45 p.m.

PRESENT

The Hon'ble Mr J C NIXON, C.S.I., C.I.E., I.C.S., Finance Member — *Chairman.*

Mr. B. DAS.
Professor N G. RANGA
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.
Mr S SATYAMURTI.
Maulvi Sir MOHAMMAD YAKUB, Kt.
Bhai PARMA NAND.
Dr R D. DALAL, C.I.E.
Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
— *Members.*

Mr. A. J RAISMAN, C.I.E., I.C.S., Finance Secretary
Mr. T K RAJAGOPALAN, Accountant-General Central Revenues (representing the Auditor General)
— *Witnesses.*

34 *Grant no 47—Audit*—The Accountant-General, Central Revenues, stated that he had not obtained explanations in respect of some of the variations since they were within the limits specified in Part II of the Audit Report. The Committee hoped that the use of these limits would not be allowed to prevent matters of principle from being explained in the comments.

35 *Secret Service expenditure*—The Committee desired that the Finance Department should satisfy themselves that the amount which is placed at the disposal of the Secretary of State for this purpose is still necessary.

36 *Grant no 71 Currency*—It was explained that the expenditure under head C. 1 (4) "Supplies and Services" depended upon the demand for currency notes which could not be foreseen. In the year under report there had been an increase in this demand partly owing to an improvement in trade and partly owing to the discontinuance of the practice of reissuing used notes which had been introduced temporarily as a measure of economy. In this connection a member of the Committee enquired why one rupee notes were no longer issued. The Chairman stated that these notes had been withdrawn as a measure of retrenchment since it had been found that owing to the shortness of the period for which they could be used they were considerably more expensive than silver coins.

37. *Stocks of silver coin and bullion.*—There was considerable discussion on the question whether it is necessary to retain the existing stocks of silver rupees and bullion. Some members of the Committee considered that these reserves were *prima facie* excessive. The Chairman, however, assured the Committee that the matter had the constant attention of the Finance Department and explained that it was necessary to hold considerable reserves in case there should again be a large absorption of silver coinage such as had occurred between 1916 and 1920. In this connection two members stated that, subject to the necessary safeguards, they saw no objection in a reduction in the present silver content of the rupee.

38. *Silver Redemption Reserve.*—The history and purpose of this reserve were explained, and the Chairman stated that in accordance with a recent decision any deficiency in the reserve resulting from depreciation in the value of the securities would not be made up from revenue, as was suggested by paragraph 12 of the Home Auditor's report on the accounts of the Secretary of State.

39. *Defalcations in treasuries.*—In connection with the "Important Comments" under Grant no. 71 it was explained that the Government of India would no longer be concerned with defalcations in provincial treasuries since all the money in such treasuries now belongs to the Provincial Governments.

40. *Secretary of State's balances at the Bank of England.*—The Committee wished to be informed whether it was still necessary for the Secretary of State to keep an account with the Bank of England and whether this account should not now be transferred to the Reserve Bank. They also wished the Finance Department to consider whether the amount now prescribed as a minimum balance could not be further reduced.

41. *Grant no. 74—Superannuation Allowances and Pensions.*—The Accountant-General, Central Revenues, explained that formerly, when the commuted value of pensions was met from revenue, commutations were frequently refused on account of lack of provision in the budget, and it had been decided that such payments should be charged to capital in order to avoid delay. The Committee were doubtful, however, whether the existing procedure is really sound, and the Chairman stated that the question was under consideration.

42. *Grant no. 76-E.—Transfer to Fund for Sind and Orissa Buildings.*—It was explained that the whole of the amount shown under this Grant had not yet been spent, but that the balance had been transferred to the Provinces so conditioned that it would in fact be spent on buildings by the Provincial Governments concerned.

43. *Grant no. 86—Secretary of State's expenditure.*—The Committee were of opinion that all agency functions should now be undertaken by the High Commissioner on behalf of the Government of India unless there are very strong administrative or financial reasons for continuing the agency of the India Office, and they presumed that if all agency functions were transferred as proposed the remaining total expenditure of the India Office would be borne by His Majesty's Government.

41 *Expenditure at Jeddah*.—In connection with head E 12 in Grant no. 86 the Committee wished to be supplied with further information regarding the staff maintained at Jeddah in connection with Indian pilgrims in order that they might be satisfied that India obtains full value for this expenditure.

45. *Expenditure on emergency measures at Aden*.—The Committee considered that on the evidence available the item of £4,000 mentioned in paragraph 23 of the Home Auditor's report on the Secretary of State's accounts should have been regarded as a "new service".

The Committee adjourned at 5 p m

Proceedings of the tenth meeting of the Public Accounts Committee, held on Wednesday, the 28th of July, at 11 a.m.

PRESENT :

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. B. DAS.
Professor N. G. RANGA.
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.
Mr. S. SATYAMURTI.
Maulvi Sir MOHAMMAD YAKUB, Kt.
Bhai PARMA NAND.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.

} *Members.*

Mr. A. H. LLOYD, C.S.I., C.I.E., I.C.S., Member, Central Board of Revenue.
Mr. J. F. SHEEHY, I.C.S., Member, Central Board of Revenue.

} *Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues.

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.

46. *Grant no. 16-Customs.* A member of the Committee drew attention to the large payments to Indian States shown under head B of this Grant. It was explained that under the original agreement relating to the construction of Cochin Port the net customs revenue was shared equally between the three interested parties, namely, the Government of India and the States of Cochin and Travancore. It had recently been agreed, however, that in view of the expansion of the port Cochin and Travancore should only receive one-third of the revenue up to a maximum of Rs. 20½ lakhs and Rs. 16½ lakhs respectively, and that the Government of India should retain the bulk of receipts in excess of the amount required to provide these maxima.

The Committee wished it to be considered whether these customs and other assignments and compensations should not be treated as deductions from revenue instead of expenditure, since the present system results in a large increase in the figures for total expenditure in the Customs Department and might give a wrong impression of the cost of collecting customs revenue.

47. *Excise duties on sugar and matches.*—In connection with the variations under heads D and E of the same Grant it was explained that

the Government of India at present use the agency of the Provinces for the collection of the excise duties on sugar and matches, and are therefore to a large extent at the mercy of the Provincial Governments in the matter of the control of expenditure. The question had, however, recently been reviewed, and it was hoped that in future it would be possible to arrange for the collection of most of this revenue through a central agency.

48 *Grant no. 17-Taxes on Income*.—In connection with head B of this Grant it was explained that action had already been taken on some of the recommendations made by the Expert Advisers on Income tax, but action on the more important recommendations had been delayed pending the receipt of the opinions of the Provincial Governments and others. The majority of the Provincial Governments had not yet replied to the communication addressed to them on the subject. In reply to a question asked by Dr Dalal it was stated that the total cost of the enquiry had been approximately Rs 67,000.

A member of the Committee drew attention to Note 2 in which it was stated that savings had occurred under one sub-head and excesses under two other sub-heads in each of the last three years. The Committee presumed that the Finance Department would take this comment into consideration in framing the budget for next year.

The Committee noted that the supplementary grant voted by the Assembly had proved to be unnecessary. In this connection they hoped that when supplementary grants are submitted late in the financial year the departments concerned will consult the latest figures obtainable in order to assure themselves that the progress of actuals does not necessitate a modification in the amount of the demand. They suggested that this point might be brought to the notice of all departments.

49 *Grant no. 18-Salt*.—In connection with the statement of expenditure on works in the Northern India Salt Revenue Department the Committee noted that only a part of the expenditure incurred in connection with the installation of a crushing and screening plant at Khewra had been met from the supplementary grant obtained for the purpose. They considered that when it is intended to meet part of the cost of an item of this kind from savings this fact should be made known to the Legislature.

A member of the Committee drew attention to the "Important Comment" to the effect that the control of expenditure in the Madras Circle had not improved during the year as much as had been hoped. Mr Lloyd stated that he had already drawn the attention of the authorities concerned to this comment and that the matter would certainly be followed up.

In connection with the Commercial Accounts of the Salt Revenue Department there was considerable discussion on the question of competition between supplies of salt obtained from various sources. It was explained that the areas covered by the various types of salt depended mainly on freight charges. In practice Northern India salt was not in direct competition with Madras salt; it was salt imported from Aden and elsewhere overseas that was used in the north-

exclusion of salt from the Ganjam and northern Madras factories, which supply the southern part of Orissa.

50. *Grant no. 19-Opium.*—In connection with the saving under head B of this Grant it was explained that under the agreements made with the Malwa States they cultivate only a certain area of opium. In the year in question climatic conditions had prevented their producing the full amount which would normally be obtained from that area.

The saving under head D-4 was due to the fact that in accordance with the undertaking given by the Government of India exports of opium to the Far East were due to cease with effect from the 31st of December 1935, and some of the former purchasers of Indian opium had not required the last consignments reserved for them as they had already arranged for supplies from Iran. In reply to a question asked by one of the members it was stated that the consumption of opium in India was under the control of the Provincial Governments, but statistics showed that there had been some decrease in consumption during recent years.

In connection with the suggestion made in Note 1, that in view of the large saving under head B the grant appeared to be susceptible of closer estimating, it was explained that some of the States which were entitled to draw advances in respect of their opium had decided not to do so. The question whether earlier information could be obtained regarding the intentions of the States in this matter was being considered.

The Committee observed from the statement given in paragraph 139 of the Commercial Appendix that in spite of the cessation of the manufacture of opium for export the expenditure in connection with Opium Factory at Ghazipur had been higher in 1935-36 than in previous years. They desired that the Central Board of Revenue should examine the possibility of securing a reduction in expenditure corresponding with the reduction in the output of the factory.

51. *Grant no. 41-Central Board of Revenue.*—In connection with the additional expenditure under the head "A.—Pay of Officers" it was explained that a temporary additional Member of the Board had been required mainly in connection with the negotiations with the Indian States.

The Committee adjourned at 1-20 p.m.

Proceedings of the eleventh meeting of the Public Accounts Committee held on Wednesday, the 28th of July 1937, at 2-30 p m.

PRESENT.

The Hon'ble Mr. J C NIXON, C S I, C I E, I C S, Finance Member, *Chairman*.

Members:

Mr. B DAS

Professor N G RANGA

Captain Sardar Sir SHER MOHAMMAD KHAN Kt, C I E, M B E

Mr S. SATYAMURTI

Maulvi Sir MOHAMMAD YAKUB, Kt

Bhai PARMA NAND

Dr R D DALAL, C.I E

Khan Bahadur Sir ABDUL HAMID, Kt C I E, O.B E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA

Witnesses:

Mr J. A MACKEOWN, I C S, Joint Secretary Department of Industries and Labour

Mr A S BOKHARI, Controller of Broadcasting

Mr R A HALFHIDE, M B E, Controller Printing and Stationery

Sir ERNEST BURDON, K C I E, C S I, I C S, Auditor-General

Mr T K. RAJAGOPALAN, Accountant-General, Central Revenues

Mr. A. J RAISMAN, C I E, I C S., Finance Secretary

52 *Order of Business*—The Committee requested that in future if a department was to be represented by more than one officer and desired that the grants with which a particular officer was concerned should be considered, information should be given in advance to the Committee regarding the order in which it was wished to deal with the grants

53 *All-India Radio*—In connection with the financial review given in the Commercial Appendix there was considerable discussion regarding the loss on radio publications. It was explained that the rates for advertisements in the *Indian Listener* had been nearly doubled since the end of 1935-36, and that the department had recently called for tenders and accepted a contract for printing the *Listener* in Delhi at greatly reduced rates for printing It was further explained that their policy was to take only technical advertisements, since otherwise they would be in competition with the ordinary press Some members of the Committee doubted the justification for this restriction and it was agreed that the question whether additional revenue could be obtained from advertisements should be further considered

54. *Grant no. 74-Stationery and Printing.*—The Committee noted that the deduction on account of probable savings (head G.-11) was stated to have been "only partially realised". They considered that it would be more helpful if in such cases the Accountant-General would indicate the amount which had in fact been realised.

The fact that the supplementary demand submitted in connection with this Grant had proved to be unnecessary was noted as reinforcing the suggestion made at the previous meeting that departments should be reminded of the importance of examining the latest figures of actual expenditure before placing a supplementary demand before the Legislature.

55. *Calcutta Presses.*—There was some discussion in connection with the figures of expenditure on the various Presses given on page 218 of the Commercial Appendix. The Committee wished the Industries and Labour Department to investigate whether, in view of the transfer of most of the work to Delhi, it was now necessary to retain any press organisation at Calcutta. They presumed that in any case there would be a diminution of the cost of the Calcutta Press in subsequent years.

The Committee noted that no decision had yet been reached on the question of amalgamating the Hastings Street and Dharamtala Presses which was raised in the report on the accounts for 1934-35. They deprecated the delay and hoped that it would at least be possible to submit a report on this subject next year.

56. *Central Publication Branch.*—The Committee desired that the index of publications issued from time to time by this Branch should be supplied to the members of the Legislature. Certain members of the Committee were of opinion that all members of the Legislature should be entitled to obtain free of cost any of the publications shown in the index which they might require.

57. *Ecclesiastical.*—In connection with item 11 in the statement of action taken on previous recommendations (appendix I) it was stated that the report of the departmental committee had been considered, but that before reaching a decision on the subject Government considered it necessary to hold a census of entitled persons. The Committee deprecated the delay and hoped that the question would be settled at an early date.

58. *Public Works.*—Item 15 in the statement of action taken on previous recommendations was first considered. It was explained that if the Central Government did not allow the Provincial Public Works Departments to execute some capital works, they might refuse to do the maintenance work in connection with outlying central buildings which could not be economically maintained by the Central Public Works Department. The Government of India would, however, do their best to persuade the Provinces to agree to let them use the Central Public Works Department in cases where this would be more economical for the Central Government.

The Chairman then read out a note on the general question of the control of works expenditure. This was briefly discussed, but it was decided that further consideration of the question should be postponed until the following afternoon.

The Committee adjourned at 5-15 p.m.

Proceedings of the twelfth meeting of the Public Accounts Committee held on Thursday, the 29th of July 1937, at 11 a.m.

PRESENT:

The Hon'ble Mr J C NIXON, C S I, C I E, I C S, Finance Member, *Chairman.*

Mr. B DAS.	*Members*
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt, C.I.E, M B E	
Mr S. SATYAMURTI	
Maulvi Sir MOHAMMAD YAKUB, Kt	
Bhai PARMA NAND	
Dr. R. D. DALAL, C I E	
Khan Bahadur Sir ABDUL HAMID, Kt, C I E, O B E	
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA	
Mr. S. N ROY, C I E, I C S, Secretary, Industries and Labour Department	*Witnesses.*
Mr. F TYMMS, C I E, M C, Director of Civil Aviation.	
Dr C W B NORMAND, Director General of Observatories	
Sir JAMES PITKEATHLY, Kt, C M G, C I E, C.V O, C.B.E, D S O, Chief Controller of Stores, Indian Stores Department	

Sir ERNEST BURDON, K C I E, C S I, I C S, *Auditor-General*

Mr T K RAJAGOPALAN, Accountant-General, Central Revenues

Mr ISHWAR DAYAL, Audit Officer, Indian Stores Department

Mr A. J RAISMAN, C I E, I C S, Finance Secretary

59 *Grant no. 63-Aviation.*—In connection with the additional expenditure under heads A 1, A-2 and A 3 it was explained that additional posts had to be created in the course of the year owing to unforeseen increases in air services During [illegible] [illegible]port Imperial Airways had duplicat[illegible] and the services of the K [illegible] [illegible] Airways had also been duplicat[illegible]

It was also explained, in connection with the comment under head A-4, that the contract made with Indian National Airways on account of the operation and maintenance of aircraft belonging to the Government of India would expire in December 1937, and thereafter different

arrangements would be made. Consequently the payment to Indian National Airways on this account would cease after the current year.

60. *Grant no. 63-B.-Expenditure from the Fund for Development of Civil Aviation.*—It was explained that the large savings had been due to the fact that, owing to the circumstances in which the creation of the special fund was sanctioned, it had not been possible to work out fully the details of the various schemes before the submission of the supplementary estimate. Mr. Tymms added that the accounts for 1936-37 would also probably show considerable variations under this head. The Committee recommended that if this should prove to be the case the Finance Department should consider the desirability of making a lump cut in future estimates.

The Committee also deprecated the fact that it had not been possible to spend any portion of the provision of Rs. 1,20,000 made under head "B.—Meteorological". They agreed that allowance must be made for the fact that this was the first year in which expenditure had been incurred from the special fund, but they hoped that in future years it would be possible to budget more accurately.

In connection with paragraph 3 of the "Important Comments" the Chairman explained that it had since been decided that the approval of the Legislature should be obtained for all new works of any magnitude which it was proposed to finance from the fund.

61. *Grant no. 49-Meteorology.*—The Committee noted that the variations under several heads of this Grant were due to the same circumstances as had caused variations in the Civil Aviation Grants.

62. *Indian Stores Department, London.*—In connection with item 12 in the statement of action taken on previous recommendations the Chief Controller of Stores stated that he had completed his report on the Indian Stores Department, London, and it would shortly be submitted for the orders of Government.

63. *Use of the Indian Stores Department by the Railways and the Defence Department.*—Mr. Satyamurti asked the Chief Controller of Stores whether he was satisfied that the Railways and the military authorities were buying as much as possible from the Indian Stores Department. Sir James Pitkeathly stated that so far as the Railways were concerned he was satisfied with the position. In the case of State Railways the turnover had increased from 278 lakhs in 1935-36 to 330 lakhs in 1936-37, and in the case of Company-managed Railways from about 7 lakhs to over 28 lakhs. There had not been so large an increase in the case of the Defence Department but, as with the Railways, there was a standing arrangement that purchases would be made through the Stores Department in all cases where this could be proved to be advantageous. He did not consider it desirable to take over the purchase of foodstuffs from the Defence Department. The Committee hoped that Government would continue the policy of giving work in connection with both the Railways and the Army to the Indian Stores Department so far as circumstances permit.

64. *Government Test House.*—In connection with the income and expenditure account of the Government Test House published under Grant

no. 70—" Indian Stores Department ", a member of the Committee enquired whether the expenditure on establishment could not be reduced The Chief Controller explained that in view of the nature of the work done at the Test House it could not be expected to show a profit, and he also stated that the accounts of the corresponding organisation in England showed that a similar proportion of the total expenditure was incurred on staff

The Committee adjourned at 1 20 p m

Proceedings of the thirteenth meeting of the Public Accounts Committee held on Thursday, the 29th of July 1937, at 2-45 p.m.

PRESENT :

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Member. — *Chairman.*

Mr. B. DAS.
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.
Mr. S. SATYAMURTI.
Maulvi Sir MOHAMMAD YAKUB, Kt.
Bhai PARMA NAND.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA. — *Members.*

Mr. J. A. MACKEOWN, I.C.S., Joint Secretary, Department of Industries and Labour. — *Witness.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr. T. K. RAJAGOPALAN, Acceountant-General, Central Revenues.

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.

65. *Grant no. 73—Civil Works.*—In connection with the prvoision shown under head A.-1 (1) (non-voted) the Committee considered that on the evidence available there was no ostensible urgency to justify the incurring of the expenditure in question during the course of the year.

It was admitted that the saving under head A.-2 (1) was partly due to the fact that the Finance Department had included items in the budget without ascertaining from the Public Works Department how much of the total expenditure they would be able to incur during the financial year. The Committee deprecated this procedure, and hoped that in future the Finance and other Departments would invariably obtain the opinion of the technical Department before making budget provision for any works projects.

66. *Works expenditure outside the control of the Central Public Works Department.*—In connection with the items relating to Baluchistan it was explained that these works are carried out by the Military Engineering Service, and the Central Public Works Department have therefore nothing to do with the expenditure. The Committee suggested that it should be considered whether the Civil Works Grant should not in future be confined to works which are actually under the control of the Industries and Labour Department, other items being included in the Grants relating to the Departments or Administrations concerned.

67. *Qualifications of engineering staff*.—There was some discussion regarding the number and qualifications of the engineering officers at present employed in the Central Public Works Department. A majority of the Committee considered that Government should satisfy themselves afresh as regards the justification for the present numbers and qualifications of the officers concerned with the types of work (*e g*, Civil Aviation and Public Health) at present undertaken in the temporary P W D Circles.

68 *Grants for expenditure on Road Development*.—It was explained that in view of the revised procedure which had recently been introduced the large variations noted in connection with the provision for this expenditure would not occur in future years

69 *Establishment Charges*.—In connection with paragraph 9 of the "Important Comments" it was explained that the necessity for reappropriating funds to the sub-heads "Establishments" and "Tools and Plant" did not mean that extra establishment had actually been employed, but was due to a reduction in the works expenditure of other Departments, especially Civil Aviation, and the consequent reduction in the amount of establishment charges recoverable by the Public Works Department. The Committee desired that the Government of India should examine whether, in view of the curtailment of capital expenditure on civil aviation during the year under report, the staff employed in the Public Works Department in this connection had not been larger than was actually required.

70. *Disposal of Central Government building*.—It was stated that the Industries and Labour Department had now received an offer of Rs 1,40,000 for the building mentioned in paragraph 11 of the "Important Comments".

71. *Government property in New Delhi*.—In connection with paragraph 12 of the "Important Comments" the Committee recommended, on the suggestion of the Auditor-General, that Government should examine whether they have yet in existence fully adequate and properly systematised arrangements for the reve[illegible]
ernment lands and other prope[illegible]
the Committee with a report on [illegible]
arrangements in force or conte[illegible]
employed

72 *Grant no. 97—Delhi Capital Outlay*.—The Committee suggested that if any further expenditure had to be incurred on New Delhi which is not of a clearly remunerative character it should be charged to revenue and not to capital. They further recommended that so long as the Delhi Capital Grant exists the Finance Department should consider the advisability of making a lump cut in the estimates on account of probable savings. Certain members of the Committee considered that the practice of imposing lump cuts should be applied to all works grants

73. *Grants nos 22 and 90—Irrigation*.—The Committee recommended that Government should consider whether these Grants could not be amalgamated in view of the fact that the net charge to capital under Grant no 90 for 1935-36 was nil. It was suggested that other similar cases should also be investigated

A few members of the Committee considered that the reason for the Ajmer-Merwara irrigation schemes being unremunerative was the exorbitant charges levied from the cultivators, and they desired that Government should examine the possibility of obtaining more revenue through a reduction in these charges.

74. *Control over works expenditure.*—The Committee then resumed the consideration of the note which had been circulated by the Chairman on the previous afternoon. Mr. Mackeown indicated that provided the proposed procedure was intended to apply only to major works it would probably be welcomed by the Industries and Labour Department. After some further discussion the Committee decided to postpone the formulation of their recommendations on the subject to a later meeting.

The Committee adjourned at 6 p.m.

Proceedings of the fourteenth meeting of the Public Accounts Committee held on Friday, the 30th of July 1937, at 11 a.m.

PRESENT

The Hon'ble Mr J. C. NIXON, C S I, C I E, I C S, Finance Member. — *Chairman*

Members

- Mr. B DAS
- Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C I.E, M B E
- Mr. S. SATYAMURTI
- Maulvi Sir MOHAMMAD YAKUB, Kt
- Bhai PARMA NAND.
- Dr. R D DALAL, C I E
- Khan Bahadur Sir ABDUL HAMID, Kt C I E, O B E.
- Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA

Witnesses

- Lieutenant-Colonel A E. B. PARSONS, C B E, D.S.O., Secretary, External Affairs Department.
- Mr. V. NARAHARI RAO, C I E, Additional Deputy Secretary, Political Department, and Crown Finance Officer
- Mr G K S. SARMA, Under Secretary, External Affairs Department
- Mr. E C. PRICE, Finance Secretary, Government of the North-West Frontier Province

Sir ERNEST BURDON, K C I E, C S I, I C S, Auditor-General

Mr. T K. RAJAGOPALAN, Acccountant-General, Central Revenues.

Mr A. J RAISMAN, C I E, I C S, Finance Secretary

75. *Grant no 31—Foreign and Political Department.*—There was some discussion regarding the large increase in expenditure on pay of officers during the course of the year, and some members of the Committee suggested that the Foreign and Political Department now appeared to be over staffed It was explained that the increase had been due to special work in connection with the new constitution and that the Finance Department had accepted the necessity for the additional posts

76 *Grant no. 56—Education.*—The Committee doubted whether the grants made to the Chiefs' Colleges were a legitimate charge on the revenues of the Central Government, and desired that the Government should examine this question

77. *Grant no. 79—Baluchistan.*—The Committee noted that the total revenue obtained by the Central Government from Baluchist

to less than Rs. 20 lakhs whereas the expenditure (incuding the cost of "frontier watch and ward") amounted to about Rs. 80 lakhs. Some members suggested that a special enquiry might be instituted to consider the possibility of increasing the revenue. The Foreign Secretary pointed out that in view of the nature of the country there was little scope for expansion in connection with most of the revenue heads. He added, however, that the possibility of increasing the land revenue was being considered, both in connection with the small area which was irrigated from the Sukkur Barrage and in connection with the impending resettlement of certain other areas.

In connection with the head "K.—Famine Relief" (Account XII) the Committee wished the Finance Department to examine whether the whole of this expenditure had in fact been incurred on famine relief, and whether it had been correctly classified as non-voted.

The "Important Comments" under this Grant led to a discussion regarding the distribution between civil and military of the expenditure incurred in connection with the Quetta earthquake. It was explained that in view of the special circumstances it had not been possible to obtain vouchers regarding the details of the expenditure incurred in the first instance by the military authorities, but the total amount had been divided between civil and military in proportion to the numbers of civil and military personnel who had had to be evacuated. There was no reason to believe that the civil estimates had been charged with more than their fair share of the expenditure. The Committee accepted this explanation.

78. *Political.*—The Committee noted that the number of modifications in the original estimates under this Appropriation had been exceptionally high. It was explained that this was partly due to special circumstances. and that more accurate budgeting should be possible in future years.

A member of the Committee drew attention to the note recorded under the previous recommendation (item 9 in the statement printed as appendix I) "that the question of the incidence of Persian Gulf expenditure should be considered". The Chairman stated that the question had recently been under consideration, and that he hoped that a satisfactory solution was in sight.

In connection with this Appropriation the Committee also considered the previous recommendation (item 9 in the statement) "that the question of the incidence of Persian Gulf expenditure should be considered". The Chairman stated that the question had recently been under consideration, and that he hoped that a satisfactory solution was in sight.

With reference to paragraph 1 of the "Important Comments" the Committee wished the Finance Department to look into the situation in order to see whether the Government of India are sufficiently protected in such cases.

79. *Frontier Watch and Ward.*—The Committee noted that there had been a variation of no less than 47.5 per cent. between the budget provision and the actual expenditure on works. It was explained that this was mainly due to the fact that the Government of the North-West Frontier Province had originally proposed to finance the construction of

a number of roads from the special fund of Rs 25 lakhs for frontier expenditure. The Government of India had, however, decided that the fund must be reserved for a particular road of special importance and must not be frittered away on the construction of comparatively minor roads A majority of the Committee deprecated the charging of the expenditure on the minor roads to revenue instead of to the fund as had been contemplated when the budget was framed

80. *Unauthorised Funds*.—In connection with paragraph 9 of the "Important Comments" under "Frontier Watch and Ward" and item 10 in the statement of action taken on previous recommendations it was explained that all the unauthorised Khassadar and other funds which had been discovered had now been closed and the balances had been credited to Government. The audit authorities had not, however, been able to complete their audit in North and South Waziristan and at Bannu owing to the present military operations. The Auditor-General stated that adequate measures were now being taken to deal with such irregularities, but he would not be able to certify that he was completely satisfied with the position until he had had another two years experience of the results of the stricter audit control which was now being enforced

The Committee adjourned at 1-45 p m.

Page 32, paragraph 78—

Substitute the following for this paragraph—

"The Committee noted that the number of modifications in the original estimates under this Appropriation had been exceptionally high It was explained that this was partly due to special circumstances, and that more accurate budgeting should be possible in future years.

A member of the Committee drew attention to the note recorded under head B 3 of Account I to the effect that the increase in expenditure was 'mainly due to the cut made by the Government of India not having materialised'. The Committee agreed that explanations of this kind could not be regarded as adequate.

In connection with this Appropriation the Committee also considered the previous recommendation (item 0 in the statement printed as appendix I) 'that the question of the incidence of Persian Gulf expenditure should be considered'. The Chairman stated that the question had recently been under consideration, and that he hoped that a satisfactory solution was in sight.

With reference to paragraph 1 of the 'Important Comments' the Committee wished the Finance Department to look into the situation in order to see whether the Government of India are sufficiently protected in such cases."

Proceedings of the fifteenth meeting of the Public Accounts Committee held on Friday, the 30th of July 1937, at 3 p.m.

PRESENT :

The Hon'ble Mr. J. C. NIXON, C. S. I., C.I.E., I.C.S., Finance Member. — *Chairman.*

Members:

Mr. B. DAS

Professor N. G. RANGA.

Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.

Mr. S. SATYAMURTI.

Maulvi Sir MOHAMMAD YAKUB, Kt.

Bhai PARMA NAND.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA

Witnesses:

Mr. G. H. SPENCE, C.S.I., C.I.E., I.C.S. Secretary, Legislative Department.

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General

Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues

81. *Grant no. 76—Miscellaneous.*—The Committee discussed the expenditure incurred in connection with the League of Nations. Mr. Spence explained that in 1925 India had paid 56 units out of a total of 937, and as a result of various reductions the proportion was now 49 units out of 925. There had, however, been a very much more substantial decrease in actual expenditure than would be suggested by these figures. This was due to the recent devaluation of the Swiss franc. As against Rs. 14,81,000 in 1935 and Rs. 13,93,000 in 1936 India's total contribution for 1937 would be Rs. 10,01,000.

82. *Frontier Watch and Ward.*—In connection with paragraph 10 of the "Important Comments" under this Appropriation the Auditor-General stated that his department must accept a part of the responsibility for the loss. The accounts and audit staff in Peshawar were not yet up to the normal standard. This was mainly due to the rule regarding local recruitment which had made it necessary to fill up the Comptroller's office with untrained and inexperienced personnel. Special measures were, however, being taken to deal with the situation, and it was hoped that accounting mistakes would in future be less frequent.

83. *Grant no. 87—High Commissioner's expenditure.*—A member of the Committee drew attention to the expenditure on audit establishment in

London shown under head G. of this Grant. The Auditor-General stated that he had no reason to believe that the establishment employed was excessive according to the system adopted Under the new Government of India Act, however, he would have more control over such expenditure since any alterations in staff would have to be referred to the Government of India. He added that if officers of the Indian Audit and Accounts Service were posted to the establishment of the Auditor of Indian Home Accounts it would probably be more expensive than the existing arrangement.

84. *Grant no 88—Capital Outlay on Security Printing and Grant no. 93—Currency Capital Outlay*—It was agreed that the Finance Department and the Auditor-General should consider whether these Grants need be retained in future years

85. *Grant no 98—Interest Free Advances*—A member of the Committee drew attention to the fact that supplementary demands had been submitted in connection with this Grant in three successive years. It was explained that the items relating to coinage accounts depended on the extent of the demand for new coin, which could not be foreseen, and the Auditor-General stated that in view of the nature of the expenditure he agreed with the controlling authority that the Grant was not susceptible of accurate estimation

86. *Grant no 99—Loans and Advances bearing Interest* It was explained that the scope of this Grant would be reduced in future years, since the Provincial Loans Fund had been closed and orders had been issued for the discontinuance of most of the loans and advances previously granted to Government servants

87 *Functions of the Public Accounts Committee under the new Constitution*—Mr Satyamurti asked whether under the new Government of India Act the expenditure incurred on the Political External Affairs, Defence and Ecclesiastical Departments would cease to come before the Public Accounts Committee It was explained that only the expenditure incurred in the Political Department which amounted to a little over a crore, would be removed from the purview of the Committee The position was clearly explained by sections 169 and 171 of the Government of India Act, 1935 which prescribe that the reports of the Auditor General on the accounts of the Federation shall be laid before the Federal Legislature, and that he shall make a separate report to the Secretary of State with regard to the accounts relating to the discharge of the functions of the Crown in its relations with Indian States. So far as the Committee were concerned the expenditure incurred in the External Affairs Defence and Ecclesiastical Departments would be treated in the same way as non-voted expenditure under the old constitution

88 *Control over works expenditure*—The Committee then resumed the consideration of the note on this subject which had been circulated by the Chairman After some discussion they expressed general approval of the procedure suggested in the note, and [illegible] agreed that the Government of India should consider the suggestions contained in it. (The note as modified after discussion in the Committee is printed as Appendix VI)

The Committee adjourned at 5 p m

Proceedings of the sixteenth meeting of the Public Accounts Committee held on Monday, the 2nd of August 1937, at 11 a.m.

PRESENT:

The Hon'ble Mr. J. C. N[illegible], C.S.I., C.I.E., I.C.S., [illegible] Member — *Chairman.*

Mr. B. Das.
Prof. [illegible] N. G. R[illegible].
Sardar J[illegible] Singh.
Captain Sardar [illegible] Khan, [illegible], M.B.E.
Mr. [illegible].
[illegible] Yamin, [illegible].
Bhai Parma Nand.
Dr. R. D. D[illegible], C.I.E.
Khan B[illegible] Sir [illegible], [illegible] C.I.E., O.B.E.
Khan [illegible].
— *Members.*

Mr. R. S. P[illegible], [illegible], O.B.E., Director-General, Posts and Telegraphs.
Mr. [illegible], [illegible], Posts and Telegraphs.
Mr. A. [illegible], [illegible] Posts and Telegraphs.
Mr. T. R. S[illegible], Deputy Director-General (Finance), Posts and Telegraphs.
— *Witnesses.*

Sir [illegible], K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. B. N[illegible], Accountant-General, Posts and Telegraphs.

Mr. A. J. R[illegible], C.I.E., I.C.S., Finance Secretary.

59. *Private Secretary to H. E. the Viceroy's Press.*—The Chairman read out a letter from the Joint Secretary, Industries and Labour Department, giving some information which had been promised at a previous meeting in connection with Grant No. 7[illegible] "Stationery and Printing M.—Private Secretary to His Excellency the Viceroy's Press". It was explained in the letter that the Controller of Printing and Stationery at present exercises powers of inspection and advice in the case of this Press but has no direct control over the staff, and that it was proposed that the Press should shortly be transferred to the control of the Political Department which would bear the cost. The Committee hoped that if this transfer were effected the Controller of Printing and

Stationery would still be associated with the control of this Press and of the other Presses for which the Political Department are responsible. They wished to be informed whether the Controller thinks it advisable to lay down a specific programme of inspection in connection with such Presses

90 *Finance Officer, Posts and Telegraphs.*—A member of the Committee drew attention to the fact that a post of Finance Officer, Posts and Telegraphs, had recently been created in place of the previous appointment of Financial Adviser It was explained that this had been done with a view to securing more independent financial control The Finance Officer is now solely an officer of the Finance Department subordinate to the Finance Member.

91. *Financial position of the Posts and Telegraphs Department* —In reply to a question regarding the financial results of 1936-37 the Finance Officer stated that according to the latest figures available the profit for the year was now expected to amount to about Rs 14 lakhs (including a windfall of about 3 lakhs on account of an adjustment which had not been expected in that year) as compared with Rs 8 lakhs anticipated in the revised estimates

92. *Haulage Charges* —In connection with the statement made in paragraph 10 of the Audit Report regarding savings under Postal Expenses the Director-General explained that the Railways wished to enhance their previous rates for hauling postal vans by Rs 7 lakhs, but this additional payment had not been made during the year under report because the negotiations had not been completed The Committee hoped that this question would be settled as soon as possible, by arbitration if necessary

93. *Posts and Telegraphs portion of Grant no 43-Audit.*—The Committee considered that the details of the cost of Posts and Telegraphs Audit Offices need not be shown in the Appropriation Accounts of the Posts and Telegraphs Department since this expenditure is merely recovered from the Posts and Telegraphs Department and the details are given in full in connection with Demand no "43-Audit"

94 *Suspense Accounts*—The Committee also considered it unnecessary to include in the Appropriation Accounts items such as those shown under sub-heads F V, F VI, and F VII of "Grant no 23—Indian Posts and Telegraphs Department". It was agreed that the Accountant-General should try to eliminate suspense accounts of this kind as far as possible from next year's Appropriation Accounts. The Committee further suggested that it might be preferable if some of the heads could be shown gross, with the suspense head figures given separately if necessary

The Committee adjourned at 1-15 p m

Proceedings of the seventeenth meeting of the Public Accounts Committee held on Monday, the 2nd of August 1937, at 2-30 p.m.

PRESENT:

The Hon'ble Mr. J. C. Nixon, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. B. Das.
Professor N. G. Ranga.
Captain Sardar Sir Sher Muhammad Khan, Kt., C.I.E., M.B.E.
Mr. S. Satyamurti.
Maulvi Sir Muhammad Yakub, Kt.
Bhai Parma Nand.
Dr. R. D. Dalal, C.I.E.
Khan Bahadur [illegible]
Khan Bahadur [illegible], Kt., C.I.E., O.B.E.

} *Members.*

Mr. [illegible], C.I.E., O.B.E., Director-General, Posts and Telegraphs.
Mr. Ghulam Muhammad, Finance Officer, Posts and Telegraphs.
Mr. [illegible]
Mr. [illegible], Deputy Director-General, [illegible], Posts and Telegraphs.

} *Witnesses.*

Sir [illegible], K.C.I.E., C.S.I., I.C.S., Auditor General.
Mr. [illegible], Accountant General, Posts and Telegraphs.
Mr. A. J. [illegible], C.I.E., I.C.S., Finance Secretary.

95. [illegible] expenditure. [illegible] VIII [illegible] Director-General. [illegible]

96. [illegible] The Committee considered that the explanations given under the sub-head "[illegible] Stationery and Printing" on page 97 of the Appropriation Accounts were inadequate, and they hoped that in future years fuller explanations would be provided in connection with variations of so large an amount

97. *Effect of revised scales of pay*—The Committee noted that the variations under sub-head J. II-2, on page 98 of the Accounts and certain other sub-heads were stated to be due partly to the introduction of new scales of pay. They wished it to be recorded that the authorities concerned did not appear to have taken this fact sufficiently into consideration when framing their estimates

98 *Subsidies and payments to Railways*—The Committee noted that in the explanation relating to the reappropriation of Rs 11,68,100 under sub-head J. IV 5, on page 100 of the Accounts the amount of saving due respectively to "Reduction under payments to air mail carriers" and "Lowering of the rates for the conveyance of mails" had not been stated They considered that in connection with variations of large amounts some indication should be given of the approximate sum due to each of the suggested causes

99. *Grant no 31—Recoveries*—The Committee noted that owing to the system of credits it was difficult to ascertain from the Accounts the amount actually spent on various capital works This system also had the effect of increasing the apparent variations under the various heads The Committee desired that the Posts and Telegraphs Department should consider, in consultation with the Auditor General the possibility of showing the capital expenditure gross and recording the recoveries or credits separately They further suggested that it might be considered whether such recoveries or credits could not be shown as receipts In any case they hoped that the authorities concerned would endeavour to devise means of presenting the Appropriation Accounts (and possibly also the Demands for Grants) in a simpler and more readily intelligible form

100 *Reappropriations for new works*—A member of the Committee drew attention to the large reappropriation under sub head IV 3 on page 122 of the Accounts The Finance Officer explained that the savings under this head had been utilised, with the concurrence of the Standing Finance Committee, to finance some new remunerative works The Committee agreed that if a proposal arises in the course of the year which is clearly remunerative it would be uneconomic to postpone it until provision can be made in the next year's budget

101 *Expenditure on replacement of workshop plant and machinery*—It was admitted that the large variations under sub heads II 1 and IV 1 on pages 126 and 127 of the Accounts were due to inadequate provision for replacements which could not be postponed The Committee considered that if the Department had taken sufficient account of past actuals in framing their estimates under these heads a large part of the [illegible] mentary appropriations would probably have been unnecessary

102 *Excess Grant*—In connection with [illegible] report the Committee agreed to recommend the [illegible] Rs 2,12,771 under Grant no 23 [illegible] however, indicated that they might wish to [illegible] drawing the attention of the Legislature to the shortcomings of the Posts and Telegraphs Department in connection with the spending of their original grants

103 *Renewals Reserve Fund* There was some discussion regarding the annual contribution to the Renewals Reserve Fund which [illegible]

in paragraph 62 of the Audit Report, has been fixed at 25 lakhs per annum for a period of five years. Some members of the Committee suggested that this amount was excessive. The Chairman pointed out, however, that although the Department were not at present spending so much as Rs. 25 lakhs a year on replacements, it was probable that they would require at least this amount a few years hence since there had recently been a large increase in types of assets (such as telephones) which have a comparatively short life.

104. *Loss on Telegraphs.*—In connection with the profit and loss statement given on page 25 of the Audit Report the Director-General stated that under the existing conditions the telegraph section could not be expected to pay. In the United Kingdom this section was, he understood, incurring a loss of about £800,000 a year. He further stated that the operative telegraph staff had been reduced during the last five years from 2,700 to less than 2,100, and that no further reduction was possible. Indeed it was now essential to resume recruitment, especially as there had recently been considerable complaints in the press with regard to the telegraph service. The Committee, however, wished to record their dismay at the continued loss incurred in connection with this branch of the Department, and they hoped that everything possible would be done to minimise the loss.

105. *Decentralisation of control over expenditure.*—In connection with paragraph 105 of the Report the Committee hoped that the scheme of decentralisation which had recently been introduced would not result in any relaxation of control over expenditure in the Directorate. They also hoped that the Department would bear in mind the need for economy when sanctioning the necessary accounting staff for the various Circles and would consider whether any corresponding reduction of staff could not be effected at the centre.

106. *Instances of defective control over expenditure.*—The Committee noted that a mere list of cases such as that given in paragraph 111 of the Report was of comparatively little value from their point of view. As in the case of other Audit Reports, they suggested that the Accountant-General might in future indicate in addition the items with which he was still dissatisfied after considering the explanations given by the departmental authorities.

The Committee adjourned at 5-40 p.m.

Proceedings of the eighteenth meeting of the Public Accounts Committee held on Tuesday, the 3rd of August 1937, at 11 a m

PRESENT

The Hon'ble Mr. J C NIXON, C S I, C I E, I C S, Finance Member, *Chairman.*

Members

Mr. B DAS.
Professor N. G. RANGA.
Sirdar JOGENDRA SINGH.
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt, C I E, M B E
Mr. S SATYAMURTI.
Maulvi Sir MOHAMMAD YAKUB, Kt
Bhai PARMA NAND.
Dr. R. D. DALAL, C.I E.
Khan Bahadur Sir ABDUL HAMID, Kt, C I E, O B.E
Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA

Witnesses.

Mr. H. Dow, C S I, C I E, I C S, Secretary, Commerce Department.
Mr. M SLADE, I C S, Joint Secretary Commerce Department
Mr. R. F. MUDIE, C I E, O B E, I C S, Joint Secretary, Home Department
Mr. A. S Hands, C I E, M C, I C S, Deputy Secretary, Home Department

Sir ERNEST BURDON, K.C I E., C S I, I.C.S, Auditor-General
Mr. T. K RAJAGOPALAN, Accountant-General, Central Revenues
Mr A J. RAISMAN, C I E, I C S, Finance Secretary

107. *Grant no 38—Commerce Department*—There was some discussion regarding the expenditure incurred on additional officers Mr Dow explained that the extra staff had been required mainly in connection with various trade negotiations which had thrown a large amount of unusual work on the Commerce Department

108 *Grant no 46—Ports and Pilotage*—The Committee noted that there had been a large modification in the original estimate under the head A 4 (1) "Pay of Officers" (non voted), and they considered that it should be possible to budget more accurately in connection with items of this kind They recommended a study of past actuals under the head with a view to avoiding excessive provision in future

In connection with the explanation given under head B. 3 (non-voted) the Committee suggested that, except in cases of special urgency, the officers responsible for controlling grants for travelling allowance should try to restrict touring to what could be covered by the budget provision.

109. *Grant no. 47—Lighthouses and Lightships.*—The Committee desired that the authorities concerned should consider whether it is necessary to maintain a special fund for replacements and additions as well as a depreciation fund and a general reserve fund.

110. *Grant no. 76—Miscellaneous.*—In connection with head M of this grant, with which the Commerce Department were partly concerned, the Committee suggested that the Grant should if possible be rearranged in future years in order to bring together the items relating to each Department.

With reference to the "Important Comment" (page 234 of the Accounts) Mr. Dow explained that the non-official gentleman in question had served the Government of India for about six months without any salary, and it had therefore been decided that it would be ungracious to demand a refund of the overpayment in respect of travelling expenses, especially as this expenditure had been incurred in good faith and the gentleman had left India before the mistake was discovered.

111. *Grant no. 94—Capital outlay on Vizagapatam Harbour.*—Mr. Dow explained that although the Port was not yet paying any portion of the interest due on the capital expenditure, it was still unable to balance its budget without a grant-in-aid from the Government of India, and so far as he could foresee this would continue to be the position for some years. If the Port were retained it would also be necessary to incur several items of additional capital expenditure. This led to a discussion on the question whether it would not be better to close down the Port altogether. It was agreed that before such a decision could be reached other interests (such as those of the Railways) would have to be considered, but the Committee desired that the whole question should be thoroughly investigated and that a comprehensive report on the subject should be submitted next year.

112. *Grant no. 95—Capital Outlay on Lighthouses and Lightships.*—Since the net amount required under this Grant was nil, the Committee desired that the possibility of eliminating it as a separate grant in future years should be considered along with similar proposals made in connection with other capital grants.

113. *Grant no. 65—Census.*—The Committee suggested that in future years, when the total amount required was as small as it was in the year under report, the authorities concerned might consider the advisability of including census expenditure in some other grant (*e.g.*, no. 76 Miscellaneous) instead of retaining a separate grant for this purpose.

114. *Grant no. 76—Miscellaneous.*—In connection with head D. 5 "Other Commissions and Committees" it was explained that at the time when the budget was framed it had not been definitely decided that a Delimitation Committee would be necessary. As regards the Secretariat Procedure Committee a majority of the Committee wished it to be recorded that they could see no sufficient reason for Government's decision

not to publish the report, and that in the absence of the report they were unable to judge whether the expenditure incurred on the Committee was justifiable or not.

115. *Grant no. 80—Delhi.*—The comment under head A-1 of Account VIII led to some discussion regarding the appointment of the Superintending Engineer, Health Services Division. The Committee desired that in connection with next year's Appropriation Accounts fuller information should be furnished by the Department concerned regarding the sanitary engineering staff employed in Delhi and regarding the distribution of its cost between the various authorities concerned.

The Committee suggested that the Government of India might consider the desirability of annexing to each of the Area Demands (such as those relating to Delhi and Ajmer-Merwara) a *pro forma* account showing the expenditure and receipts (of a provincial character) in the year in question.

In connection with paragraph 2 of the "Important Comments" under this Grant the representatives of the Department stated that they were unable to supply any additional information since the authority concerned was the Punjab High Court. The Committee considered that in future years efforts should be made to obtain any information required for the elucidation of the Accounts even if this involved a reference to an authority which was not under the control of the Government of India.

The Committee adjourned at 1-30 p m

Proceedings of the nineteenth meeting of the Public Accounts Committee held on Tuesday, the 3rd of August 1937, at 3 p.m.

PRESENT :

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. B. DAS.
Professor N. G. RANGA.
Sirdar JOGENDRA SINGH.
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.
Mr. S. SATYAMURTI.
Maulvi Sir MOHAMMAD YAKUB, Kt.
BHAI PARMA NAND.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

} *Members.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.

116. *Expenditure on major works.*—The Committee considered a statement regarding expenditure on major works (appendix VII) which had been supplied by the Accountant-General, Central Revenues, in response to a request made at a previous meeting. The statement showed that there had been savings amounting in all to about 30 per cent. of the original budget estimates for such works. In view of these savings the Committee thought it desirable to investigate whether the staff employed in the Central Public Works Department is not based on a larger programme of capital works than is actually carried out. They also suggested that similar considerations might apply to expenditure on the purchase of stores. The Committee desired that a report on this subject should be submitted next year.

117. *Accounts of the Federal Railway Authority and the Political Department.*—Mr. Satyamurti drew attention to section 190 of the Government of India Act, 1935, which prescribes that the Federal Railway Authority " shall publish annually a report of their operations during the preceding year and a statement of accounts in a form approved by the Auditor-General ", and enquired whether an audit report would be published along with these accounts. The Auditor-General stated that no decision had yet been reached on this question, but that in view of his responsibility for the form of the accounts he assumed that the published accounts would include his audit certificate and report. He also stated that it had been decided to publish the accounts of the Crown Department,

which are to be submitted to the Secretary of State under section 171 of the Act. The non-official members of the Committee recommended that the accounts and the relative audit reports of both the Federal Railway Authority and the Crown Department should be laid on the table of the Central Legislature.

118 *Date of publication of the Appropriation Accounts*—In reply to a question asked by Mr. Satyamurti the Auditor-General stated that the question of earlier publication of the Appropriation Accounts had recently been under consideration, and the Provincial Governments had been addressed on the subject The non-official members of the Committee recommended that the Government of India should in future publish the Accounts as soon as they are available

119. *Report of the Military Accounts Committee*—In connection with the report of the Military Accounts Committee it was suggested that in future any references given in the proceedings to the Appropriation Accounts or other documents should as far as necessary be complete in themselves. After a brief discussion the Committee approved the report

120. The Committee expressed their appreciation of the great assistance which had been given to them by the Auditor-General throughout their meetings and also wished to convey their appreciation of the work done by Mr. Shearer as Secretary to the Committee

The Committee adjorned at 4-20 p m

REPORT OF THE MILITARY ACCOUNTS COMMITTEE.

We are appointed in pursuance of the recommendation made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1929-30 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. We have been assisted in this work by the Auditor-General, the Defence Secretary, the Financial Adviser, Military Finance, and the Military Accountant-General. We are glad to express our satisfaction at the lucidity of the documents presented to us and at the businesslike manner in which our questions were answered. The results of our examination are, as usual, embodied in the proceedings of our meetings which we desire to be treated as a part of our report. The following paragraphs deal only with some of the more important points.

2. *Revision of Regulations.*—We are gratified to note that the immense task of revising the Army Regulations, to which the Committees of previous years have also referred, is now making solid progress. We are assured that next year's Committee will be able to report that the work is within sight of completion. Considerable progress also appears to have been made in the revision of the Equipment Regulations and Tables of the R. A. F. While in view of the special circumstances of this service such a degree of final standardisation as exists in regard to other services may not yet be possible, we consider it to be of the utmost importance that the accounting and audit authorities should be supplied with more up-to-date standards than apparently exist at present. We were also pleased to learn that the revision of rules relating to oil had been completed and that the second proviso to the Military Accountant-General's certificate will probably not appear in future.

3. *Compensation for inferior quarters.*—We were informed on general lines of the action which was being taken to reduce the liability of Government for paying military officers compensation for rent free quarters which are below the standard scale of accommodation. We consider that next year's Committee should be supplied with a more explicit account of the system of zoning, and should be given some idea in the case of a typical unit of the amount of money involved.

4. *Provision for the purchase and sale of stores, equipment and animals.*—We noticed that considerable savings occurred in connection with this item during the year under report, and we suggest that the actuals of past years might repay examination by the Financial Adviser, Military Finance, at the time of framing the next budget.

5. *Departmental action against Government servants who have been acquitted by a court of law.*—We wish specially to bring to notice the harm which may be done to the public service and the danger to public funds if an order of acquittal by a court of law is necessarily taken as exempting a Government servant from suitable departmental action. We can conceive of cases where a lesser degree of proof than is required in a court of law would justify departmental punishment.

6. *Accelerated payment in March.*—We are not completely satisfied that the existing practice which results in exceptionally high payments

during the month of March is free from danger, and we consider that a further report on this subject should be submitted next year Meantime we suggest that suitable action should be taken by the authorities concerned in connection with the payments to be made in March 1938

7. *Stocks maintained in Ordnance Factories* —We were somewhat dismayed at the relatively large stocks carried by some of the Ordnance factories. The Secretary, Defence Department, however, gave it as his opinion that stocks of some types of stores were still inadequate. We are not prepared to make any definite recommendation on the subject, but we hope that the position will be carefully watched with a view to economy

8 *Accounting Changes* —We wish to reiterate a principle which has been accepted on previous occasions but which seems often to have been overlooked, *viz*, that in order to avoid unnecessary variations between the estimates and the actuals the accounting of expenditure should, unless there be legal objections, follow budget provision during the budget period even if such provision has been incorrectly made, and that any change which may be considered necessary should be introduced in the next year's budget.

9 *Comments made in the Audit Report and the Appropriation Accounts* —While we wish the Director of Audit to continue for the present to exhibit in his report all instances where there has *prima facie* been a substantial failure in the control of expenditure, it would simplify the task of future Committees if he would indicate, in addition after studying the explanations given by the administrative authorities, which of the cases he still considers to have been sufficiently justified We also had occasion to observe that in some places a slightly fuller note in the Appropriation Accounts would have obviated the need for verbal explanations.

J C NIXON.

B DAS

S SATYAMURTI.

SHER MOHAMMAD KHAN.

A J RAISMAN

J B SHEARER, *Secretary*

7th August, 1937.

Proceedings of the first meeting of the Military Accounts Committee held on Monday, the 19th of July 1937, at 11 a.m.

PRESENT :

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. B. DAS.
Mr. S. SATYAMURTI.
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.
Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.
} *Members.*

Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.
Major-General G. H. ADDISON, C.B., C.M.G., D.S.O., Financial Adviser, Military Finance.
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.
Mr. M. R. COBURN, O.B.E., Military Accountant-General.
} *Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr. K. R. S. RAU, Director of Audit, Defence Services.

The Committee first considered the military items in the statement showing action taken or proposed to be taken on recommendations made in previous years.

2. *Item 17—Revision of Army Regulations.*—With reference to the report submitted on this subject (appendix IX) the Secretary, Defence Department, stated that more rapid progress was now being made, and that he hoped that the revision of the basic regulations would be completed in 1½ to 2 years. Additional staff had been engaged for the work, but it had been possible to arrange that this should involve practically no increase in total expenditure. It was also explained that revised orders had been issued with a view to reducing the number of correction slips to the regulations, and that any corrections with which the audit authorities were concerned would in future be submitted to them before issue. The Committee agreed that it would be satisfactory if the work could be completed within the period now stated. It was decided, however, that the item should remain in the list of items outstanding, and that a further report should be submitted next year. The Committee particularly desired that the report should show whether the audit authorities were satisfied with the revised regulations.

... Item 18—*Scheme for the training of Public Works Department Accountants in work connected with the Military Engineer Services*.—It was noted that the report submitted by the Financial Adviser on this subject (appendix X) was somewhat pessimistic. The Auditor-General, however, did not fully associate himself with the comments made in that report, and the Committee agreed that it was too early to reach any definite conclusions regarding the value of the scheme They wished a further report on the subject to be submitted next year.

4. *Item 22*—*Overstocking of R A F stores and Mechanical Transport spare parts*.—Since certain points were not clearly explained in the note on this item (appendix XI) it was decided that a representative of the Royal Air Force should be asked to appear before the Committee at the next meeting

5 *Item 24*—*Payment to military officers of compensation for inferior quarters*.—It was explained in connection with the note (appendix XII) that the provision of quarters for military officers was almost a condition of service Every military officer regarded the provision of such quarters or an allowance in lieu of quarters as a part of his pay The problem was therefore one of considerable difficulty The Financial Adviser explained that officers had now been divided into three zones for the purpose of the allocation of quarters, and it was hoped that this would reduce the expenditure involved. The Committee wished to have further information regarding the zoning system They also wished to be given some indication of the actual expenditure involved in the payment of this compensation The Financial Adviser stated that the compilation of complete figures would involve a disproportionate amount of labour, but he agreed to work it out for a small unit such as a station and to make a rough calculation on this basis

Report of the Director of Audit, Defence Services.

6 *Paragraph 3*—*Accuracy of budgeting*.—It was explained that in connection with the purchase of animals the estimates were based on the actual number of animals required, but it frequently happened that this number could not be obtained The Committee recommended that in view of the repeated savings in previous years the possibility of making a lump cut under this head in future budgets should be considered

As regards the Indian Army Ordnance Corps, it was explained that the excess in 1935-36 was due to a book transaction and that there was a corresponding saving elsewhere In view of this explanation the Committee agreed that no further action was required.

7 *Paragraph 5*—*Control of expenditure*.—The Director of Audit, Defence Services, agreed that the inclusion of items in this paragraph did not necessarily mean that the variations had not been satisfactorily explained The Committee considered that in future years the report should also indicate which of the items if any, had not been explained to the satisfaction of the audit authorities

8. *Paragraph 7*—*Reserves in Defence Estimates*.—The Committee were informed that the provision of Rs. 7 lakhs on account of "Special expenditure for expansion of Territorial Force" would not in future appear under this head since it had been decided that such ex...

should be budgeted for in the ordinary way. The removal of this item would reduce the total provision for Reserves to about Rs. 13 lakhs in a total budget of about Rs. 45 crores. The Auditor-General stated that he considered the position to be satisfactory, and the Committee agreed that no further action was required.

9. *Paragraphs 10, 11 and 13—Financial irregularities.*—The Committee agreed that no further action was required with regard to the items mentioned in these paragraphs.

10. *Paragraph 12—Loss of stores in an arsenal.*—It was explained that revised orders had been issued by the Master-General of the Ordnance, under which articles of clothing would be checked by number as well as by weight. It was considered that these revised orders should prevent the possibility of a recurrence of a fraud of this type. The Committee wished to be informed in next year's report whether the audit authorities were satisfied with the working of the new system.

11. *Paragraph 14—Short recovery of rent, water and electricity charges.*—The Committee agreed that considerable progress had been made as compared with previous years. They wished, however, to draw the attention of the authorities concerned to the statement made in paragraph 19 of the report to the effect that specific cases brought to notice seemed to indicate that in many cases loss could be avoided by a stricter observance of the regulations by executive officers.

In connection with this paragraph the Committee agreed that in order to avoid confusion with the Test Audit the Military Accounts Department should in future be referred to as " Accounts " and not as " Audit ".

12. *Paragraph 15—Loss of electric bulbs.*—The Committee noted that the Sub-Divisional Officer who was in charge of the Division where the fraud occurred had merely been passed over for promotion. The Financial Adviser explained that this officer had been acquitted by a court of law, and he had been advised by the legal authorities that after such an acquittal it would not be possible to inflict any severer form of departmental punishment. This led to a general discussion of the question whether departmental action could be taken against a Government servant who has been acquitted on a criminal charge. It was agreed that in cases where there was nothing against the Government servant apart from the specific charge which had been referred to the criminal court it was ordinarily impracticable to impose any departmental punishment, but that suitable departmental action could sometimes be taken in spite of the decision of the court if the conduct of the Government servant in question had been otherwise unsatisfactory.

13. The Committee considered that the wording of the following passages in the report were open to criticism :

(1) *Paragraph 17—Overpayments of pension.*—It was agreed that the note of foreboding sounded in the last sentence of this paragraph was inappropriate in a report of this kind and that audit comment should ordinarily be confined to the established facts.

(2) *Paragraph 26—Surveyors of Works*—It was agreed that the second last sentence of this paragraph might convey a wrong impression. There was no reason to believe that the audit arrangements were in fact unsatisfactory

(3) *Paragraph 28—Acceptance of tenders other than the lowest*—The last sentence of this paragraph might also convey a wrong impression The intention was understood to be that generally speaking there is now no tendency to accept without good reasons tenders other than the lowest

14 *Paragraph 32—Disposal of surplus and obsolete stores.*—It was explained that the statement prepared by the Financial Adviser is a complete statement and is seen in its complete form by the audit authorities, but that the latter confine their examination to items which are *prima facie* unsatisfactory. The Committee desired that a further report on the subject should be supplied next year

The Committee adjourned at 1-15 p m.

Proceedings of the second meeting of the Military Accounts Committee held on Monday, the 19th of July 1937, at 2-30 p.m.

PRESENT:

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. B. DAS.
Mr. S. SATYAMURTI.
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt., C.I.E., M.B.E.
Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary. — *Members.*

Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.
Major-General G. H. ADDISON, C.B., C.M.G., D.S.O., Financial Adviser, Military Finance.
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.
Mr. M. R. COBURN, O.B.E., Military Accountant-General.
Squadron Leader A. J. COX, M.B.E., R.A.F. — *Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr. K. R. S. RAU, Director of Audit, Defence Services.

15. The Committee continued the consideration of the report of the Director of Audit, Defence Services.

16. *Paragraph 30.—Stock verification.*—The Military Accountant-General explained, with reference to the last sentence of this paragraph, that until the end of financial year 1935-36 the Military Accounts Department used to carry out a test check of 5 per cent. of the stocks held on charge by fighting units. This test check was found to serve no useful purpose, partly because the local Audit Officer could not actually verify the stocks of many articles such as rifles and clothing in wear and also because in the case of rations the stocks were not and could not be worked out every day in the ration returns. It was accordingly decided that in future the Audit Officer need only see that a certificate was given to the effect that stock had been taken by the executive authorities in accordance with the orders on the subject, and that the test check by him might be discontinued.

17. *Paragraph 33.—Pro-forma account of expenditure on Programme Measures.*—It was explained that the changes in the estimated total cost of the programme were due almost entirely to changes in prices and not to the introduction of new items. The Financial Adviser also stated that

according to present estimates the larger part of the balance of about Rs. 1¼ crores in the Defence Reserve Fund would probably be exhausted by the end of the financial year 1938-39, and the Chairman explained that in the meantime the Government of India had the use of the balance which served to reduce the amount of Government borrowings. In view of these explanations the Committee agreed that it was not necessary to alter the existing arrangements.

18 *Overstocking of R. A. F. stores*.—At this stage the Committee resumed the consideration of item 22 in the statement of action taken on previous recommendations Squadron Leader A. J. Cox, the officer in charge of the special work in connection with the revision of the Equipment Regulations and Tables, gave a statement of the position He explained that the Equipment Regulations had now been completed, and that he hoped to complete the Equipment Tables before the end of the current financial year The audit authorities would be consulted with regard to all items with which they were concerned It would probably be impracticable to reach the degree of standardisation which had been attained in some other Services, partly because the Air Force was a comparatively new and rapidly developing service, and partly because its requirements in respect of stores and spare parts were dependent to a considerable extent, on orders issued (mainly in the interests of safety) by authorities in England. After the Regulations and Tables had been issued, however, audit would be able to exercise a much more efficient check than had hitherto been possible The Committee agreed that it would be satisfactory if the work could be completed within the period contemplated; but they wished to be supplied with a further report on the subject next year and they hoped that that report would show the results of the first review of stocks held against the stock limits which were now being prescribed

As regards motor transport spare parts, the Financial Adviser explained that when motor transport was first introduced the authorities concerned tended to underestimate the life of the vehicles. This was now being remedied in the light of experience, and he was satisfied that the expenditure now incurred on repairs and spare parts actually resulted in economy since it enabled purchases of new vehicles to be postponed

19 The remaining paragraphs in the report of the Director of Audit Defence Services, were briefly considered and it was agreed that no special action was required

Appropriation Accounts

20 *Audit Certificate*.—The Committee considered that the first proviso to this certificate was somewhat misleading since it did not clearly indicate that the "accounts" check had in fact been conducted over the greater part of the field, and that the cases in which the state of Equipment Regulations and Tables prevented an effective check were comparatively few It was suggested that the drafting of the proviso should be reconsidered in connection with next year's report

The Military Accountant-General explained that the second proviso would probably not appear in future reports since the revision of the rules relating to the issue of oil had now been completed

The Auditor-General stated that the third proviso need not have been included at all since the fund in question is not one which the Military Accounts Department or Test Audit are required to audit, although the Military Accounts Department may in some cases undertake the audit of such funds at the request of the military authorities concerned.

21. *Statement of items of expenditure for which higher sanction was necessary.*—It was suggested that some of these items indicated serious delay in the passing of orders. The Financial Adviser, however, pointed out that this might be due to cases being detected by audit a long time after they actually occurred. The Auditor-General stated that he was satisfied with the position, and the Committee agreed that no special action was necessary.

22. *Paragraph 48—Indian Army Ordnance Corps.*—It was explained that the transfer of funds to other heads to meet expenditure on the repair of optical instruments was probably due to the decision that work in connection with such instruments should be done in military workshops instead of the Mathematical Instruments Office at Calcutta. The Committee considered that explanations of this kind should be given in the comments, since otherwise it might be suspected that funds were provided merely because they happened to be available and not because the item in question was unavoidable or specially urgent.

23. *Paragraph 54—Cantonments.*—It was noted that this increase was due to a change of accounting procedure introduced by the audit authorities during the course of the year. The Auditor-General agreed that such changes should ordinarily be introduced only at the beginning of a new financial year. The Committee considered that in order to reduce the number of avoidable variations in the estimates this general rule should be brought to the notice of all the authorities concerned.

24. *Paragraph 93—Expenditure in England on the purchase and sale of stores, equipment and animals.*—The Committee considered that the provision made for this item should be further examined, and that if it were found that similar savings had occurred in previous years a reduction should be made in the appropriations included in future budgets.

25. *Paragraph 113—Contribution towards the cost of landing grounds on the Singapore Air Route.*—In connection with this item there was some discussion regarding the general procedure of the military authorities in providing funds for unforeseen expenditure which has to be met during the course of the year. It was explained that they do not follow the practice adopted in connection with most of the Civil Demands of re-appropriating funds from a specific item to a specific item, but that the total amount of savings available is first calculated and the Financial Adviser then issues an omnibus order sanctioning a series of reappropriations from these savings.

26. *Paragraph 136 and Appendix K—Variations between original appropriations and expenditure during the year.*—Further information was given with regard to some of the items included in the appendix. The Committee were satisfied except with regard to item 27 where the explanation given was considered to be inadequate.

The Committee adjourned at 5 p.m.

Proceedings of the third meeting of the Military Accounts Committee held on Tuesday, the 20th of July 1937, at 11 a.m.

PRESENT:

The Hon'ble Mr. J. C NIXON, C S.I., C.I.E , I.C S , Finance Member, *Chairman.*

Mr. B. DAS.	*Members*
Mr. S. SATYAMURTI.	
Captain Sardar Sir SHER MOHAMMAD KHAN, Kt , C.I E , M B.E.	
Mr. A. J RAISMAN, C.I.E , I C.S , Finance Secretary.	
Mr. C. M. G. OGILVIE, C.B.E., I.C S , Secretary, Defence Department.	*Witnesses.*
Major-General G. H. ADDISON, C.B , C M G., D S.O., Financial Adviser, Military Finance.	
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance	
Mr. M. R COBURN, O B.E., Military Accountant-General.	

Sir ERNEST BURDON, K C.I.E., C S I I C.S , Auditor-General.

Mr. K R. S RAU, Director of Audit, Defence Services

27 The Committee continued the examination of the Appropriation Accounts and considered the items shown in Appendix K—Part B—Variations between original appropriations and expenditure in respect of works completed during the year The Committee were not entirely satisfied with some of the explanations given for these variations, but it was agreed that there had been a considerable improvement in the standard of estimating for military works during recent years and that the engineers were not responsible for some of the remaining variations, which were due to orders issued by the administrative authorities.

28 *Accelerated payment of bills in March.*—The Committee noted that the figures given in paragraph 138 of the report indicated that there was still a marked tendency for payments in March to be exceptionally high and payments in April to be exceptionally low The Auditor General stated in this connection that he had recently received a report to the effect that bills to the extent of about Rs 2½ lakhs had been paid without pre audit during the month of March in one of the Military Commands. This suggested that in spite of the orders which had already been issued on the subject the rush of payments during March was still resulting in some slackening of audit control. The Financial Adviser and the Military Accountant General considered that it would be impossible to avoid some

increase of work in the Accounts Offices during March, especially as the end of the financial year happened to coincide with the end of the cold weather during which the greater part of the expenditure was found to be incurred. It was agreed, however, that the rush of work should not be allowed to result in any relaxation of control. The Committee wished to have a further report on this question next year, and hoped that in the meantime measures would be taken to prevent a recurrence, in March 1938, of cases such as those mentioned by the Auditor General.

29. *Paragraph 112. Writing down of the value of stores.*—The Chairman drew attention to the statement that "the net saving under heads was due to the writing down of the value of stores to their market value", and enquired whether the money involved became available for other purposes. The Auditor General undertook to investigate the accounting arrangements in connection with such transactions.

30. *Paragraph 115. Stores purchases.*—It was agreed that the Chief Controller of Stores, when he appeared before the Public Accounts Committee, should be asked whether he considered that the military authorities were not making as large a proportion of their purchases through his organisation as can reasonably be expected.

31. *Appendices.*—It was agreed, on the suggestion of the Auditor General, that the more logical order for the Appendices would be D, A, C, B, and that the rearrangement should be carried out in future reports.

In connection with Appendix D (Disposals Organisation) it was suggested that particulars of surplus stores which had been written off or remained unsold should also be shown. The Financial Adviser explained that this would be impracticable, and the Auditor-General stated that he had no reason to believe that there was in fact an unnecessary accumulation of surplus stores. It was agreed that definite figures need not be given but that the Defence Department should investigate the question and that their conclusions should be stated in next year's report with an explanation of the method by which the conclusions had been reached.

Commercial Appendix.

32. *Dairy Farms.*—In connection with the statement made in paragraph 7 of the Financial Adviser's review that the dairy farms are expected on the whole to be self-supporting but not a source of profit, the question was raised whether these farms should not try to make a profit at least in respect of their sales to the public. It was explained that such sales constitute an almost insignificant fraction of the total, and that the farms had in fact made a small profit of 3·4 per cent. in 1935-36 as compared with 2·01 per cent. in 1934-35. The Committee agreed that in these circumstances it was unnecessary to reconsider the existing policy.

33. *Medical Stores.*—The question was raised whether these Stores should not be used only to meet the requirements of the army. It was explained, however, that this would result in a large increase in the total loss. The Auditor-General stated that the only Provincial Government which had tried to purchase medical stores in the open market was the Government of Madras, and they had come back to the Medical Stores Depots after a comparatively short period. On the other hand, there had been no complaint from the trade with regard to undercutting of prices. The conclusion which appeared to follow from this was that the Department

was being efficiently run and that the prices were being fixed at about the right level The Committee agreed that no special action was required

34 *Mechanisation of cost accounting.*—In connection with paragraph 32 of the Review a member of the Committee pointed out that the Railway Department had not found mechanised accounting to be entirely successful The Financial Adviser, however, stated that its value in the Military Accounts Offices had been definitely established and that the only experimental element now was the application of the method to new types of accounts Considerable savings in money had already been realised, and there was also a great saving of time

35. *Loss of fodder in grass farms.*—The Committee noted that the Director of Audit, Defence Services, in paragraph 2 of his report, remarked that the increase in losses in two of the Circles would seem to call for remedial action The Secretary, Defence Department, explained that the average loss was less than 1 per cent, and that cases where the loss had been abnormally high were being further investigated In view of this explanation the Committee did not consider it necessary to make any recommendation on the subject

36 *Stock position in Army Factories.*—A member of the Committee drew attention to the fact that the stocks at certain factories were considerably in excess of the suggested limits of three months' consumption in the case of local supplies and six months' in the case of supplies obtained from abroad The Secretary, Defence Department, stated that in his opinion the supplies were not on the whole in excess of requirements, and that in the case of certain types of stores which were not obtainable in India a six months' supply was definitely inadequate

Secretary of State's Accounts

37 The Committee noted that the first paragraph of the Auditor's report on the military accounts of the Secretary of State indicated that there might be some inadequacy in the method of charging the War Office with the pay of the officers serving with a lent unit They hoped that a further report would be given on this question next year

38 The remainder of the Secretary of State's accounts and the accounts of the High Commissioner for India were briefly considered, and it was agreed that they did not call for any special action.

39 The Committee agreed that the accounts submitted to them this year maintained the high standard of previous years

The Committee adjourned at 1-15 p.m

APPENDICES.

APPEN

Statement showing action taken or proposed to be taken on recommendations,

PART I.—Civil, Military and

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
			Civil (Auditor General).
1	1934-35	15 R. 30 P. ..	That the process of accounting of the expenditure of the Road Development Fund should be examined and the result of the investigations made available to the Committee next year.
			Civil (Finance).
2	1934-35	11 R. 3 P. ..	That Government should consider whether when special funds are set up in future from revenue surpluses they should not be constituted by a vote for a specific amount.
3	1934-35	6 P. ..	That the Finance Department should consider the question of amalgamating the sub-heads A1(1)—Interest on Permanent Debt, and A1(2)—Reserve Provision for service of new loan under Grant no. 25—Interest on Ordinary Debt.
4	1934-35	6 P. ..	That the question of giving the Financial Representative on the New Delhi Municipality special powers, *e.g.*, to call for records having a financial bearing, and to make reports direct to the Chief Commissioner, Delhi, should be considered and a report made to the Committee in due course.
5	1934-35	17 R. 6 P. ..	That refunds should strictly be treated as deductions from revenue instead of as expenditure and the practice of including them in the Demands for Grants and Appropriation Accounts should be discontinued from 1st April 1937.
6	1934-35	24 P. ..	That in the course of a year new projects should be sanctioned only on grounds of real urgency or because they produced economy.
7	1934-35	47 P. ..	That the Government of India should consider the whole policy of giving house building, motor car and other advances to Government servants.
			Civil (Education, Health and Lands).
8	1934-35	13 P. ..	That the possibility of increasing the income and decreasing the expenditure of the Karnal Farm should be considered.

DIX I

etc., previously made by Public Accounts Committee.

Posts and Telegraphs.

Action taken or proposed to be taken.

On an examination of the existing procedure the Auditor General has decided to include in future a suitable note under Grant no. 73 Civil Works, in the Appropriation Accounts (Civil), bringing together and explaining in one place the various transactions connected with the Road Development account which now appear under several distinct sub-heads so that the scope and objects of the expenditure will be easily comprehensible. He considers that no other change is necessary. The question of settling the complete programme of works at the beginning of the year, instead of dealing with it in two instalments as at present, is under consideration.

Noted.

The change has been introduced in the Demands for Grants for 1937-38.

The Financial Representative has been empowered to call for any papers having a financial significance, and to make representations either to the President of the Committee or to the Chief Commissioner.

The change has been introduced from 1st April 1937.

Noted.

The Government of India have decided to discontinue the grant of these advances.

Noted.

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
			Civil (Foreign and Political).
9	1929-30 1934-35	114 P. 27 P. ..	That the question of the incidence of Persian Gulf Expenditure should be considered.
10	1932-33 1933-34 1934-35	14 R. 16 R. 13 R. 26 P. ..	That the Khassadar and other irregular excluded funds in the North West Frontier Province be closed down under proper audit within two to three months
			Civil (Industries and Labour).
11	1926-27 1928-29 1929-30 1933-34 1934-35	25 R. 91 P. 118 P. 36 P. 20 P. ..	That the Government of India should consider the question of allocation of ecclesiastical expenditure between Civil and Defence Departments.
12	1932-33 1933-34 1934-35	31 P. 14 R. 23 P. ..	That in view of the large drop in value of stores purchased from the India Stores Department, London, the question of amalgamating it with the Indian Stores Department should be considered.
13	1934-35	18 P. ..	That the question of the abolition of the Hastings Street Press and transferring its work to the Dharamtala Press be examined and a report made to the Committee in due course.
14	1934-35	22 P. ..	That the desirability of scrapping Avro X be considered if there was to be no increase in its use for Government purposes.
15	1934-35	49 P. ..	That the Government of India consider the advisability of utilising the services of the Central Public Works Department more freely for the Posts and Telegraphs Department and other Departments as well.
			Civil (Commerce).
16	1934-35	32 P. ..	That the existing procedure of transferring at the end of the year the excess of receipts over expenditure to the general reserve fund of Lighthouses and Lightships by a vote be examined in consultation with the Auditor General.

Action taken or proposed to be taken

The matter is under consideration.

All the Khassadar and other irregular funds have been closed and their past transactions are being audited by the Comptroller, North West Frontier Province.

A Committee was appointed by the Government of India to investigate the question. Their report is under consideration.

Sir James Pitkeathly has investigated this question and the Government of India are awaiting his report.

The question of the amalgamation of the Hastings Street Press with the Dharamtala Press is already under examination, and the Controller of Printing has been asked to prepare the necessary estimates and submit them to the Government of India.

It has been decided that the aeroplane should be given to the Aeronautical Training Centre, Delhi.

It does not appear [illegible] make this desirable.

The excess of receipts over expenditure of the Lighthouses and Lightships Department, as worked out [illegible] of the Lighthouse and Lightships by [illegible] under the major head [illegible] Contribution to the [illegible] taken to a receipt [illegible] Auditor General is of [illegible] principles of accounts and expenditure control would be broken by avoiding the present arrangement, anomalous though it may seem, than are infringed by having a technical excess over grant. He also observes that a formal excess is inevitable with an improving commercial position.

Serial No.	Year of Report.	Paragraph of Report or Proceedings.		Recommendations or suggestions.
				Military.
17	1930-31 1931-32 1932-33 1933-34 1934-35	1 R. 3 R. 2 P. 4 R. 3 R. 2 P.	Military Accounts Committee.	That the revision of the Army Regulations be *completed* as soon as possible.
18	1932-33 1933-34	23 P. 11 P.	Military Accounts Committee.	That a report be made to the Committee after 2 years as to the success or otherwise of the scheme under which transferred Public Works Department Accountants are taken for the Military Engineer Services.
19	1934-35	5 R. 6 P. 25 P.	Military Accounts Committee.	That the appendices A and F to the Appropriation Accounts of the Defence Services be discontinued in future.
20	1934-35	2 R. 10 P.	Military Accounts Committee.	That the Financial Adviser, Military Finance, should, in consultation with the Auditor-General, examine the question of the control of expenditure relating to the Military Engineer Services so as to conform expenditure more closely to the original programme as specified in the budget and report the result to the Committee next year. They should also investigate whether a specific provision in the reserve for the regrant of lapses would not lessen the rush of expenditure in the last quarter of the year.
21	1934-35	8 P.	Military Accounts Committee.	That an exhortation be made for closer estimating to the various spending authorities.
22	1934-35	18 P. 19 P.	Military Accounts Committee.	That the position regarding the over-stocking of the R. A. F. Stores and Mechanical Transport Spares be investigated and a report submitted to the Committee next year.
23	1934-35	20 P.	Military Accounts Committee.	That the Director of Audit, Defence Services, report on the question of the non-recovery or short-recovery of rent, water and electrical charges, etc., rather more specifically next year.
24	1934-35	21 P.	Military Accounts Committee.	That the question of the payment of lodging allowance to military officers be investigated and a report submitted next year.
25	1934-35	4 R. 24 P.	Military Accounts Committee.	That in the budget and appropriation accounts each individual item of transfer to and from the Defence Reserve Fund should be shown separately to facilitate appropriation audit.
				Posts and Telegraphs.
26	1934-35	50 P.		That the question of a lack of co-ordination between the Posts and Telegraphs and Printing Departments in effecting corresponding adjustments be investigated.

Action taken or proposed to be taken
A memorandum showing the progress made has been submitted to the Committee (appendix IX)
A report has been submitted to the Committee (appendix X)
The recommendation has been adopted in the Appropriation Accounts for 1935-36.
The question has been dealt with in the Critical Review of M E S expenditure *vide* paragraphs 131 to 136 and 138 of the Appropriation Accounts of Defence Services for 1935-36. Provision has been made in the Budget for 1937 38 for the re-grant of amounts surrendered, so far as they are known
The Committee's recommendation has been brought to the notice of the estimating authorities
A report has been submitted to the Committee (appendix XI)
See paragraph 14 of the Audit Report, Defence Services, 1937
A report has been submitted to the Committee (appendix XII)
The transfer from the Defence Reserve Fund to the Budget has been shown in the Budget for 1937-38 under the relevant heads. The question of showing such transfers in the Appropriation Accounts is still under examination.
The question has been examined by the Departments concerned and it is hoped that better results will be achieved in future.

APPENDIX II.

Statement comparing expenditure with grants for 1935-36.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation. Less than granted.	More than granted.
PART I.—CIVIL.	Rs.	Rs.	Rs.	Rs.
A.—EXPENDITURE CHARGED TO REVENUE.				
16. Customs—				
Voted	78,81,000	77,97,854	83,146	..
Non-voted	*37,81,700*	*37,62,988*	*18,712*	..
17. Taxes on Income—				
Voted	88,41,000	87,74,744	66,256	..
Non-voted	*1,87,127*	*1,88,151*	..	*1,024*
18. Salt—				
Voted	74,80,900	74,63,486	17,414	..
Non-voted	*44,46,745*	*44,47,110*	..	*365*
19. Opium—				
Voted	34,23,000	33,05,414	1,17,586	..
Non-voted	*1,59,260*	*1,59,467*	..	*207*
19-A. Excise—				
Voted	4,84,000	4,83,842	158	..
Non-voted	*2,15,500*	*2,13,295*	*2,205*	..
20. Stamps—				
Voted	18,42,000	16,92,162	1,49,838	..
Non-voted	*33,700*	*31,463*	*2,237*	..
21. Forest—				
Voted	5,13,000	5,00,108	12,892	..
Non-voted	*1,45,000*	*1,42,611*	*2,389*	..
22. Irrigation, etc.—Charged to Revenue—				
Voted	3,95,000	3,40,630	54,370	..
Non-voted	*3,08,000*	*2,89,883*	*18,117*	..
25. Interest on Ordinary Debt, etc.—				
Voted	42,39,000	41,67,826	71,174	..
Non-voted	*1,62,63,000*	*1,62,37,577*	*25,423*	..
26. Interest on Miscellaneous Obligations—				
Voted	66,28,000	66,78,358	..	50,358
Non-voted	*10,85,70,000*	*10,79,01,013*	*6,68,987*	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted
PART I.—CIVIL.	Rs	Rs	Rs.	Rs.
A.—EXPENDITURE CHARGED TO REVENUE—(continued)				
27 Staff, Household and Allowances of the Governor General—				
Voted	4,60,000	4,43,087	16,913	—
Non-voted	*9,51,974*	*9,53,310*	..	*1,336*
28. Executive Council—				
Voted	90,000	1,00,381	..	10,381
Non-voted	*4,77,400*	*4,77,498*	..	*98*
29 Council of State—				
Voted	1,34,000	1,26,493	7,507	..
Non voted	*6,000*	*4,917*	*1,083*	..
30 Legislative Assembly and Legislative Assembly Department—				
Voted	7,25,000	7,38,556	..	13,556
Non voted	*81,000*	*56,308*	*24,692*	..
31. Foreign and Political Department—				
Voted	9,33,000	9,09,072	23,928	..
Non voted	*2,76,000*	*2,77,215*	..	*1,215*
32. Home Department—				
Voted	6,79,900	6,66,041	13,859	..
Non voted	*11,75,334*	*11,72,849*	*2,735*	..
33 Public Service Commission—				
Voted	1,79,000	1,79,605	..	605
Non voted	*2,06,537*	*2,06,338*	*169*	..
34 Legislative Department—				
Voted	3,10,000	3,08,216	1,784	..
Non voted	*1,97,800*	*1,97,309*	*491*	..
35 Department of Education, Health and Lands—				
Voted	6,03,000	5,53,706	51,294	..
Non voted	*1,55,255*	*1,55,819*	..	*534*
36 Finance Department—				
Voted	9,91,000	9,88,194	2,806	..
Non voted	*3,34,467*	*3,34,239*	*228*	..
37 Commerce Department—				
Voted	3,95,000	3,92,405	2,595	
Non voted	*1,24,100*	*1,24,379*	..	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE—(continued).				
39. Defence Department—				
Voted	4,31,000	4,11,232	19,768	..
Non-voted	*92,594*	*92,300*	*294*	..
40. Department of Industries and Labour—				
Voted	4,84,000	4,72,819	11,181	..
Non-voted	*1,29,540*	*1,29,491*	*49*	..
41. Central Board of Revenue—				
Voted	2,08,000	2,07,902	98	..
Non-voted	*1,46,400*	*1,44,923*	*1,477*	..
42. Payments to Provincial Governments, etc.—				
Voted	1,56,000	1,55,404	596	..
Non-voted	*66,370*	*66,206*	*164*	..
43. Audit—				
Voted	96,91,000	96,13,039	77,961	..
Non-voted	*8,43,000*	*8,46,475*	..	*3,475*
44. Administration of Justice—				
Voted	*55,000*	*54,641*	*359*	..
45. Police—				
Voted	2,19,000	1,75,201	43,799	..
Non-voted	*82,019*	*78,030*	*3,989*	..
46. Ports and Pilotage—				
Voted	11,52,000	11,51,781	219	..
Non-voted	*9,06,200*	*9,04,146*	*2,054*	..
47. Lighthouses and Lightships—				
Voted	9,40,000	9,46,405	..	6,405
Non-voted	*20,216*	*20,216*	..	..
48. Survey of India—				
Voted	21,11,000	19,21,817	1,89,183	..
Non-voted	*5,50,200*	*5,41,406*	*8,794*	..
49. Meteorology—				
Voted	18,81,000	17,09,680	1,71,320	..
Non-voted	*89,960*	*89,712*	*248*	..
50. Geological Survey—				
Voted	2,02,000	1,95,490	6,510	..
Non-voted	*2,03,430*	*2,01,147*	*2,283*	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation	
			Less than granted.	More than granted.
PART I.—CIVIL.	Rs	Rs	Rs	Rs
A.—EXPENDITURE CHARGED TO REVENUE—(continued).				
51. Botanical Survey—				
Voted	1,22,000	1,20,952	1,048	..
Non voted	*31,703*	*28,909*	*2,794*	
52 Zoological Survey—				
Voted	83,000	80,937	2,063	
Non voted	*47,000*	*46,990*	*10*	
53 Archæology—				
Voted	9,48,000	9,47,594	406	
Non voted	*94,967*	*95,527*	..	*560*
54 Mines—				
Voted	1,24,000	1,24,815	..	815
Non voted	*1,03,062*	*1,03,707*	..	*645*
55 Other Scientific Departments—				
Voted	2,55,000	2,54,980	20	..
56 Education—				
Voted	6 11,000	6,04,058	6,942	
Non voted	*27,186*	*27,177*	*9*	
57 Medical Services—				
Voted	6,22,000	6,24,714	..	2,714
Non voted	*2 10 609*	*2,17,337*		*6,728*
58 Public Health—				
Voted	7,71,000	7,65,695	5,305	..
Non voted	*1,63,970*	*1,63,454*	*486*	
59 Agriculture—				
Voted	18,65,000	18,35,152	29,848	..
Non voted	*61,174*	*56,332*	*4,842*	..
60 Imperial Council of Agricultural Research Department—				
Voted	9,17,000	9,16,868	132	..
Non voted	*1,03,977*	*1,03,769*	*208*	
60 A. Scheme for the Improvement of Agricultural Marketing in India—				
Voted	4,73,000	4,36,353	36,647	..
61 Civil Veterinary Services—				
Voted	6,90,000	6,63,776	26,224	..
Non voted	*43,200*	*43,056*	*144*	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE—(continued).				
62. Industries—				
Voted	7,44,000	6,68,259	75,741	..
Non-voted	*3,240*	*3,189*	*51*	..
63 Aviation—				
Voted	16,55,000	16,13,166	41,834	..
Non-voted	*11,500*	*11,537*	..	*37*
63-B. Expenditure on the Development of Civil Aviation met from the Fund—				
Voted	1,000	..	1,000	..
64. Commercial Intelligence and Statistics—				
Voted	5,18,000	4,97,396	20,604	..
Non-voted	*63,400*	*63,003*	*397*	..
65. Census—				
Voted	1,000	1,644	..	644
Non-voted	*144*	*194*	..	*50*
66. Emigration—Internal—				
Voted	16,000	14,837	1,163	..
Non-voted	*2,400*	*2,401*	..	*1*
67. Emigration—External—				
Voted	1,91,000	2,02,464	..	11,464
Non-voted	*53,658*	*53,107*	*551*	..
68. Joint Stock Companies—				
Voted	1,29,000	1,16,651	12,349	..
Non-voted	*16,403*	*16,163*	*240*	..
69. Miscellaneous Departments—				
Voted	8,66,000	8,25,421	40,579	..
Non-voted	*25,032*	*24,914*	*118*	..
69-B. Expenditure on the Development of Broadcasting met from the Fund—				
Voted	1,000	..	1,000	..
70. Indian Stores Department—				
Voted	19,67,000	19,29,002	37,998	..
Non-voted	*1,47,000*	*1,47,615*	..	*615*

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation.	
			Less than granted	More than granted.
	Rs	Rs	Rs	Rs
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE—(continued)				
71. Currency—				
Voted	19,19,000	19,06,079	12,921	..
Non-voted	*70,700*	*72,437*	..	*1,737*
72 Mint—				
Voted	22,37,000	21,12,699	1,24,301	..
Non voted	*76,500*	*76,281*	*219*	..
73. Civil Works—				
Voted	2,15,85,000	2,09,87,170	5,97,830	..
Non-voted	*15,34,000*	*15,34,603*	..	*603*
74. Superannuation Allowances and Pensions—				
Voted	1,13,55,000	97,60,566	15,94,434	..
Non-voted	*2,04,11,600*	*2,02,70,430*	*1,41,170*	..
75. Stationery and Printing—				
Voted	34,69,000	33,06,614	1,62,386	..
Non-voted	*47,464*	*47,463*	*1*	..
76. Miscellaneous—				
Voted	23,78,000	22,40,736	1,37,264	..
Non voted	*27,72,325*	*28,16,618*	..	*44,293*
76 A. Expenditure on Retrenched personnel charged to Revenue—				
Voted	56,000	45,899	10,101	..
Non voted	*10,940*	*10,160*	*780*	..
76.B Miscellaneous Adjustments between the Central and Provincial Governments—				
Voted	2,12,14,000	2,04,76,170	7,37,830	..
Non voted	*1,01,37,369*	*1,01,37,369*	..	..
76 E. Transfer to the Fund for Sind and Orissa Buildings—				
Voted	45,00,000	45,00,000	..	..
76.F Transfer to the Revenue Reserve Fund—				
Voted	1,97,00,000	1,84 09,026	12,90,974	..
77 Refunds—				
Voted	1,45 75,000	1,53,43,038	..	7,68,038
Non voted	*3,02,53,131*	*2,96,35,692*	*6,17,439*	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE—(continued).				
79. Baluchistan—				
Voted	68,29,800	68,23,683	6,117	..
Non-voted	*41,74,700*	*41,54,886*	*19,814*	..
80. Delhi—				
Voted	44,69,000	44,79,718	..	10,718
Non-voted	*2,32,110*	*2,28,005*	*4,105*	..
81. Ajmer-Merwara—				
Voted	14,71,000	14,55,299	15,701	..
Non-voted	*1,47,995*	*1,49,066*	..	*1,071*
82. Andamans and Nicobar Islands—				
Voted	27,19,000	27,03,368	15,632	..
Non-voted	*2,17,750*	*2,18,037*	..	*287*
83. Rajputana—				
Voted	3,99,000	3,96,978	2,022	..
Non-voted	*7,36,130*	*7,33,772*	*2,358*	..
84. Central India—				
Voted	3,27,000	3,19,412	7,588	..
Non-voted	*6,13,945*	*6,16,672*	..	*2,727*
85. Hyderabad				
Voted	42,000	43,594	..	1,594
Non-voted	*5,36,526*	*5,37,957*	..	*1,431*
85-A. Aden—				
Voted	5,74,000	5,72,906	1,094	..
Non-voted	*3,59,801*	*3,57,911*	*1,890*	..
86. Expenditure in England—Secretary of State for India—				
Voted	22,63,000	22,21,902	41,098	..
Non-voted	*18,17,000*	*18,17,915*	..	*915*
87. Expenditure in England—High Commissioner for India—				
Voted	26,39,000	25,16,814	1,22,186	..
Non-voted	*32,91,000*	*32,76,998*	*14,002*	..
Ecclesiastical—				
Non-voted	*28,16,376*	*28,01,812*	*14,564*	..
Political—				
Non-voted	*1,23,63,010*	*1,21,86,954*	*1,76,056*	..

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation	
			Less than granted	More than granted
PART I.—CIVIL				
A.—EXPENDITURE CHARGED TO REVENUE—(concluded)	Rs	Rs	Rs	Rs.
Frontier Watch and Ward— *Non-voted*	*1,94,08,226*	*1,93,41,892*	*66,334*	
Territorial and Political Pensions— *Non-voted*	*30,99,000*	*30,63,991*	*35,009*	
Bangalore— *Non-voted*	*14,67,074*	*14,61,739*	*5,335*	
Western India States Agency— *Non voted*	*18,02,771*	*17,93,472*	*9,299*	..
Total—Expenditure charged to Revenue	46,41,92,803	45,68,00,387	83,30,941	9,47,525
Total { Voted	20,30,49,600	19,74,91,996	64,34,896	8,77,292
Total { *Non voted*	*26,11,43,203*	*25,93,08,391*	*19,05,045*	*70,233*
B.—EXPENDITURE CHARGED TO CAPITAL				
88 Capital Outlay on Security Printing— Voted	1,000	—90,247	91,247	..
89 Forest Capital Outlay— Voted	1,000		1,000	.
90 Irrigation Works (Not charged to Revenue)— Voted	1,000		1,000	..
93-A Capital Outlay on Schemes of Agricultural Improvement and Research— Voted	27,65,000	20,80,878	6,84,122	.
93 Currency Capital Outlay— Voted	1,000	—76,589	77,589	
Non voted	*5,00,00,000*	*5,18,99,269*		*18,99,269*
94 Capital Outlay on Vizagapatam Port— Voted	12,50,000	5,47,860	7,02,140	.
Non-voted	*—32,000*	*—32,271*	*271*	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
PART I.—CIVIL.	Rs.	Rs.	Rs.	Rs.
B.—EXPENDITURE CHARGED TO CAPITAL—(continued).				
95. Capital Outlay on Lighthouses and Lightships (Not charged to Revenue)—				
Voted	1,000	..	1,000	..
95-A. Capital Outlay connected with the institution of the provinces of Orissa and Sind—				
Voted	20,00,000	..	20,00,000	..
96. Commuted Value of Pensions—				
Voted	22,26,000	21,33,526	92,474	..
Non-voted	*25,94,400*	*25,77,363*	*17,037*	..
96-A. Expenditure on Retrenched personnel charged to Capital—				
Voted	1,000	—2,22,289	2,23,289	..
Non-voted	*—40,000*	*—40,103*	*103*	..
97. Delhi Capital Outlay—				
Voted	52,45,000	37,76,928	14,68,072	..
TOTAL—Expenditure charged to Capital	6,60,14,400	6,25,54,325	53,59,344	18,99,269
TOTAL { Voted ..	1,34,92,000	81,50,067	53,41,933	..
TOTAL { *Non-voted* ..	*5,25,22,400*	*5,44,04,258*	*17,411*	*18,99,269*
C.—DISBURSEMENTS OF LOANS AND ADVANCES.				
98. Interest Free Advances—				
Voted	82,18,000	84,87,613	..	2,69,613
99. Loans and Advances bearing interest—				
Voted	11,00,72,000	9,94,28,089	1,06,43,911	..
TOTAL—Disbursements of Loans and Advances—(Voted)	11,82,90,000	10,79,15,702	1,06,43,911	2,69,613
TOTAL—Civil	64,84,97,203	62,72,70,414	2,43,43,196	31,16,407
TOTAL { Voted ..	33,48,31,600	31,35,57,765	2,24,20,740	11,46,905
TOTAL { *Non-voted* ..	*31,36,65,603*	*31,37,12,649*	*19,22,456*	*19,69,502*

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation.	
			Less than granted	More than granted
PART II.—POSTS AND TELEGRAPHS	Rs	Rs	Rs	Rs
A.—EXPENDITURE CHARGED TO REVENUE				
23. Indian Posts and Telegraphs Department—				
Voted	10,55,95,000	10,59,07,734		2,12,734
Non voted	*95,35,000*	*95,17,595*	*17,405*	
B.—EXPENDITURE CHARGED TO CAPITAL				
Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue)—				
Voted	55,06,000	39,20,647	15,85,353	
Non voted	*1,000*	*3,491*		*2,491*
TOTAL—Posts and Telegraphs	12,06,37,000	11,92,49,467	16,02,758	2,15,225
TOTAL Voted	11,11,01,000	10,97,28,381	15,85,353	2,12,734
TOTAL *Non-voted*	*95,36,000*	*95,21,086*	*17,405*	*2,491*
PART III.—RAILWAYS				
A.—EXPENDITURE CHARGED TO REVENUE—				
1 Revenue—Railway Board—				
Voted	8,54,000	8,67,928		13,928
Non voted	*3,98,000*	*3,97,192*	*808*	
2 Revenue—Audit—				
Voted	14,63,000	14,38,386	24,614	
Non voted	*2,62,000*	*2,59,602*	*2,398*	
3 Revenue—Miscellaneous Expenditure—				
Voted	12,49,000	10,84,103	1,64,897	
Non-voted	*14,11,000*	*13,84,022*	*26,978*	
4 Revenue—Refunds—				
Voted	12,00,000	13,88,639		1,88,639
5 Revenue—Payments to Indian States and Companies—				
Voted	3,46,25,000	3,40,20,478	6,04,522	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS.				
A.—EXPENDITURE CHARGED TO REVENUE—(concluded).				
6-A. Revenue—Working Expenses—Maintenance of Structural Works—				
Voted	8,65,24,900	8,60,92,831	4,32,069	..
Non-voted	*33,09,000*	*33,59,876*	..	*50,876*
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power—				
Voted	16,92,60,000	16,68,16,518	24,43,482	..
Non-voted	*14,44,000*	*14,32,000*	*12,000*	..
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock—				
Voted	6,19,50,000	6,23,36,138	..	3,86,138
Non-voted	*8,56,000*	*8,50,410*	*5,590*	..
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours—				
Voted	28,70,000	28,57,079	12,921	..
Non-voted	*29,000*	*26,482*	*2,518*	..
6-E. Revenue—Working Expenses—Expenses of Traffic Department—				
Voted	10,74,19,700	10,67,51,659	6,68,041	..
Non-voted	*18,31,000*	*18,15,686*	*15,314*	..
6-F. Revenue—Working Expenses—Expences of General Departments—				
Voted	4,73,40,000	4,65,17,949	8,22,051	..
Non-voted	*22,74,000*	*22,71,682*	*2,318*	..
6-G. Revenue—Working Expenses—Miscellaneous Expenses—				
Voted	4,18,00,000	4,14,09,144	3,90,856	..
Non-voted	*12,31,000*	*12,08,541*	*22,459*	..
6-H. Revenue—Working Expenses—Electric Service Department—				
Voted	1,22,75,000	1,16,77,796	5,97,204	..
Non-voted	*1,07,000*	*1,06,207*	*793*	..
7. Revenue—Appropriation to Depreciation Reserve Fund—				
Voted	13,28,00,000	13,24,96,472	3,03,528	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted	More than granted
PART III —RAILWAYS	Rs	Rs.	Rs.	Rs.
A —EXPENDITURE CHARGED TO REVENUE—(Concluded)				
8. Revenue—Interest Charges—				
Voted	2,78,000	2,72,886	5,114	
Non voted	*31,34,52,000*	*31,36,26,768*	..	*1,74,768*
9 Temporary withdrawals from Depreciation Reserve Fund—				
Voted	4,53,59,000	3,99,39,883	54,19,117	..
Total—Railway Expenditure charged to Revenue	1,07,38,72,590	1,06,27,07,357	1,19,79,582	8,14,349
Total { Voted ..	74,72,68,590	73,59,68,889	1,18,88,406	5,88,705
{ *Non voted* ..	*32,66,04,000*	*32,67,33,468*	*91,176*	*2,25,644*
B.—EXPENDITURE CHARGED TO CAPITAL				
11. Capital—New Construction—				
Voted	26,00,000	29,01,375		3,01,375
Non voted	*5,000*	*4,652*	*348*	..
12. Open Line Works—				
Voted	14,72,50,000	11,46,43,862	3,26,06,138	..
Non voted	*3,20,000*	*2,25,152*	*94,848*	..
Total—Railways—Expenditure charged to Capital	15,01,75,000	11,77,75,041	3,27,01,334	3,01,375
Total { Voted ..	14,98,50,000	11,75,45,237	3,26,06,138	3,01,375
{ *Non voted* ..	*3,25,000*	*2,29,804*	*95,196*	..
Total—Railways ..	1,22 40,47,590	1,18,04,82,398	4,46,80,916	11,15,724
Total { Voted ..	89,71,18,590	85,35,14,126	4,44,94,544	8,90,080
{ *Non voted* ..	*32,69,29,000*	*32,69,68,272*	*1,86,372*	*2,25,644*

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART IV.—DEFENCE SERVICES.*				
A.—EXPENDITURE CHARGED TO REVENUE—				
Defence Services—Effective—India—Non-voted	*35,46,15,000*	*35,38,05,000*	*8,10,000*	..
Defence Services—Effective—England—Non-voted	*6,00,37,000*	*5,99,30,000*	*1,07,000*	..
Defence Services—Non-effective—India—Non-voted	*3,64,55,000*	*3,65,23,000*	..	*68,000*
Defence Services—Non-effective—England—Non-voted	*5,07,54,000*	*5,06,56,000*	*98,000*	..
Defence Reserve Fund—Non-voted	*—10,56,000*	*9,39,000*	..	*19,95,000*
Total—Defence Services—*Non-voted*	*50,08,05,000*	*50,18,53,000*	*10,15,000*	*20,63,000*
Grand Total ..	2,49,39,86,793	2,42,88,55,279	7,16,41,870	65,10,356
Total { Voted ..	1,34,30,51,190	1,27,68,00,272	6,85,00,637	22,49,719
Total { *Non-voted* ..	*1,15,09,35,603*	*1,15,20,55,007*	*31,41,233*	*42,60,637*

* The figures are *gross*.

APPENDIX III.

Letter from [illegible]

Subject :—*Appropriation Accounts (Civil), 1935-36 and the Audit Report, 1937.*

Sir,

With reference to paragraph 13 (2) of the Government of India (Commencement and Transitory Provisions) Order, 1936, and paragraph 13 of the Government of India, Finance Department, letter No D|29-Ref|37, dated the 8th January 1937, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Central Government (Civil) for the year 1935-36 [illegible], together with [illegible] prepared [illegible] submission to the [illegible] and for necessary action by the Governor General in Council.

2 Two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India, on behalf of the Central Government, under the heads other than those relating to Military Services, for the year 1935-36, together with two copies of the relevant Appropriation Accounts, and the reports thereon, prepared by the Auditor of Indian Home Accounts, are also forwarded

3. The Appropriation Accounts and the Audit Report of the Accountant General, Central Revenues, together with the Appendix containing Commercial Accounts, have, as usual, been examined in detail under my instructions and I find them generally to be in order. I have no supplementary comments of my own to add at this stage

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Letter from the Auditor-General, to the Finance Department, Government of India, No. T. 238-Rep.|12-37, dated the 27th May 1937

Subject :—*Appropriation Accounts (Posts and Telegraphs Department), 1935-36 and the Audit Report, 1937.*

With reference to paragraph 13 (1) (i) of the Government of India (Audit and Accounts) Order, 1936, and paragraph 13 (2) of the Government of India (Commencement and Transitory Provisions) Order, 1936, and paragraph 13 of the Government of India, Finance Department letter No D|29-Ref|37, dated the 8th January 1937, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Posts and Telegraphs Department for the year 1935-36 and the Audit Report, 1937, issued by the Accountant General, Posts and Telegraphs, for submission to the Committee on Public Accounts, and for necessary action by the Governor General in Council.

2. The Appropriation Accounts and the Audit Report have, as usual, been subjected to a detailed examination in my office and I have satisfied myself that they are generally in order. I have no supplementary comments of my own to add.

LETTER FROM THE AUDITOR-GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, NO. T. 243-REP.|11-37, DATED THE 28TH MAY 1937.

SUBJECT :—*Appropriation Accounts (Defence Services), 1935-36 and the Audit Report, 1937.*

I have the honour to forward herewith for necessary action two copies of the Appropriation Accounts of the Defence Services for the year 1935-36 prepared by the Financial Adviser, Military Finance, together with two copies of the Audit Report, 1937, prepared by the Director of Audit, Defence Services.

2. I also transmit herewith two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India on account of Defence Services for the year 1935-36, together with two copies of the relevant Appropriation Accounts, and the Reports thereon prepared by the Auditor of Indian Home Accounts.

3. It is understood that these documents will, according to the normal procedure, be subjected to a preliminary examination by the Military Accounts Committee before being presented to the Public Accounts Committee.

4. The Appropriation Accounts and the Audit Report have, as usual, been subjected to a detailed examination in my office, and I have satisfied myself that they are generally in order. It has been my practice to direct attention to specific topics or paragraphs in the Appropriation Accounts and the Audit Report, but unless I have supplementary comment to make which I consider to be important I propose no longer to do so. Both Accounts and Report have now assumed a form and scope well adapted for the purpose for which they are prepared, and it seems no longer necessary that the Defence Department should be given guidance in the preparation of material for the sessions of the Military Accounts and Public Accounts Committees which is not afforded to other departments. On the present occasion I have no supplementary comment to add.

LETTER FROM THE AUDITOR-GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, NO. T. 694-REP.|11-37, DATED THE 19TH JULY 1937.

SUBJECT :—*Appropriation Accounts (Defence Services), 1935-36 and the Audit Report, 1937.*

In continuation of my letter No. T. 243-Rep.|11-37, dated the 28th May 1937, forwarding copies of the Accounts and Report mentioned above, I have the honour to forward herewith for necessary action two copies of the Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1935-36 and the Report thereon of the Director of Audit, Defence Services.

2. The Commercial Appendix was not received by me until the 14th July 1937. I have thus not been able to forward the Appendix with my comments to Government in sufficient time before the meetings of the Military Accounts Committee I trust that it will be possible in future to avoid such delay in the submission of the Appendix

3 There is nothing in the Financial Adviser's review or in the report of the Director of Audit, Defence Services, which I desire to qualify and the results of the examination of these commercial accounts may be regarded as satisfactory.

APPENDIX IV.

Mathematical Instrument Office, Survey of India.

At the meeting of the Public Accounts Committee held on the 23rd July 1936 it was reported that Government was investigating the following two points :—

(*a*) possibility of charging a portion of the cost of the Mathematical Instrument Office to Survey parties and recovering a part of the expenditure from Local Governments to whom the Survey of India renders service,

(*b*) the extent to which the Indian Stores Department could use the Mathematical Instrument Office.

2. The result of these investigations is given below :—

(*a*) Every Department that makes use of the Mathematical Instrument Office pays its share of the cost of that office in the shape of overheads charged on the direct cost of the work done ; in the case of Survey parties the transactions are *pro-forma* only since no payments are actually made.

(*b*) The Indian Stores Department is not at present equipped with technical staff competent to handle, with the same efficiency as the Mathematical Instrument Office, the purchase and inspection of instruments of precision which, before being issued for use, often require calibration, adjustment and repair of damage sustained in transit. In addition, the maintenance of the Mathematical Instrument Office is essential for the purpose of local manufacture and repair of instruments. It makes for considerable economies by taking back unserivceable or surplus instruments from Government Departments and issuing them to other Departments after necessary adjustments. None of these functions can possibly be taken over by the Indian Stores Department. All stores, the purchase of which is arranged by the Indian Stores Department, are delivered by suppliers direct to indenting Departments and the Stores Department is not so constituted as to receive and stock the materials and arrange for their issue after any adjustments or repairs. To equip the Stores Department for the purchase of mathematical instruments will not therefore be in line with the organisation of that Department and it will involve a duplication of effort and consequently of additional and unnecessary expenditure.

3. During the discussion in the Public Accounts Committee it was suggested that the staff of the Test House, Alipore, had inadequate occupation and that it should be amalgamated with the Mathematical Instrument Office. The correct position is that the present staff of the Test House is more than fully occupied with its legitimate work and the institution is steadily growing with development of industrial activities in the country. The suggestion for the amalgamation of the two organisations has been carefully considered in consultation with the Chief Controller of Stores and the Surveyor General. The Mathematical Instrument Office is a

depot for the supply, repair and adjustment of optical, scientific and mathematical instruments and the manufacture of special apparatus for the use of Government departments and consists of a series of small workshops, which are equipped with a wide range of high quality precision machine tools and are staffed to carry out high precision work in connection with the repairing and maintenance of geodetic survey instruments and apparatus for Survey and other technical Departments Since this office carries out highly specialised and skilled instrument repair and production work, its staff consists of skilled instrument makers, fitters and skilled machine hands, and the officers are experts in the production of components of high precision instruments and apparatus and the testing and adjustment of optical and other types of surveying instruments The Test House, on the other hand, is equipped and staffed, to undertake industrial testing and standardisation of technical materials and stores and deals with the analysis of chemicals, minerals, metals, soaps, etc, and the physical testing of metals, stone, cement, textiles, wires, and rubber and rubber canvas accessories, etc. It carries out the testing of electric batteries and accumulators, fans, etc, and undertakes the calibration but not the repair of electrical indicating instruments Work connected with maintenance and repairs to plant, the preparation of metal test pieces for tests, and the construction of small equipment and apparatus for the various laboratories is carried out in a small workshop of the Test House Its capacity is very limited and it confines itself to general engineering work of ordinary workshop standard It is not really equipped to undertake precision work of any kind

4. From what is stated above it is clear that there is neither any similarity in the work of the two organisations, nor any overlapping or duplication of work The Test House is neither equipped nor staffed to undertake work connected with apparatus and instruments of high precision It is therefore not considered practicable to amalgamate the two organisations.

APPENDIX V.

Demi-official letter from the Finance Secretary to the Heads of other Departments of the Government of India, no. D.-1950-B., dated the 11th of March 1937.

The Public Accounts Committee at its last meetings suggested that the Finance Department should attempt to instil into the spending departments of the Government of India some of the more general precepts arising out of the recent considerations of that Committee. My intention was to do something of this sort at the budget conference of Secretaries but I inadvertently omitted to do so. I propose to repair the position in this letter and I would request you to bring these matters to the notice of officers in your department and in the departments under your administrative control.

2. The main criticisms of the Public Accounts Committee in recent years have been directed to

(*a*) insufficient current control over the expenditure of a year leading to unjustified supplementaries (*i.e.*, unjustified in the sense that provision ought to have awaited the next regular budget), unnecessary supplementaries (*i.e.*, unwarranted by the eventual actuals), unspent and unsurrendered appropriations ;

(*b*) the too ready diversion to other purposes of sums provided for in an original budget, but subsequently found to be unnecessary or excessive for the purpose ;

(*c*) inaccurate budgeting.

3. Many of these points hang together. There is plenty of evidence in the Finance Department that all these matters are left much too much to the care of subordinates and that officers do not themselves regard this sort of thing as worthy of their time or attention. There is evidence that departments do not surrender savings because they fear that this may result in the cutting down of their next year's budget allotment. There is evidence that when fresh (but not technically "new") items of expenditure arise in the course of a year, departments are prone to admit their inevitability (and often the consequential inevitability of a supplementary) much too readily. The Public Accounts Committee has got the impression (which the accounts not infrequently indicate) that the existence of likely savings in a current allotment (particularly in allotments for works) is deliberately seized as an opportunity to introduce fresh items of expenditure which ought to wait till next year.

4. The process of controlling expenditure is not to adapt the appropriations to the expenditure, but the expenditure to the appropriations, and any *considerable* re-appropriation from one sub-head to another must always raise suspicions in the minds of the members of the Public Accounts Committee. That fresh expendiutre is unquestionably unavoidable, or imperatively necessary, or that it will produce consequential economies or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of a year, but even so the Public Accounts Committee will

ordinarily require to be satisfied that the requirement could not hav[e] been foreseen and provided for in the budget Even in such circumstance[s] too, especially if a supplementary is involved, the Public Accounts Committee would often want to know why something else could not be dropped out in order to make room for this emergent need The process of reappropriation is not designed merely to repair omissions of foresight.

All this applies as much to non-votable matters as to votable

5. The revised estimate, in our experience, too often merely repeats the budget figure of the year to inspire confidence that it is a genuine re-estimation of requirements in the light of the knowledge to date It seems doubtful if the controlling officer usually troubles to ascertain what is the real position in regard to outstanding liabilities, or whether he obtains definite information of the intention of creditors in respect of the presentation of their claims, or whether he is explicitly aware of the usual sorts of adjustments against his allotments which take place after the close of the year A frequent remark in the appropriation accounts is that an adjustment took place after the 31st March, as though this completely exonerates the controlling officer.

6 I attach to this letter certain extracts from the manual of one of the departments which you may find of use.

Practically all of what I have said above is contained in this Department Office Memorandum no D-3516-B, dated the 9th October 1935, but I repeat that these processes are not such as should be left to be conducted wholly by subordinates The pulse of the expenditure of a department is not an unimportant manner of judging of the efficiency of its administration

* * * * * * *

4 Probably the most valuable single aid to estimating the future is the course of past actuals unless there have been violent changes due to expansion or retrenchment This does not mean a slavish repetition of the actuals of the past year, either for the revised of the current year or for the budget of the next The last year may have had abnormal features in it and the figures of a previous year may be a safer guide. There may be discoverable in a series of past actuals a regular process of increase or decrease which may seem likely on the whole to continue in the present and in the next year, and this should not be overlooked Any reasonably certain special and calculable abnormal features of the current and next year should be separately taken into account, but to estimating officers abnormal features often seem more abnormal at close quarters than when viewed in a proper perspective, and it must not be overlooked that the figures of the past also cover generally a regular proportion of unique features of their particular years

5 Estimating both for budget and revised can occasionally be done by calculation or by determining actual commitments, but in normal circumstances the usual manner is by the help of past actuals It may in future be found advisable if possible to have five past years' figures available, for among those two or even three years' figures

found to be quite abnormal. In the ordinary course the more recent actuals are the more useful.

6. The making of a revised estimate for the current year should always precede an estimate of a future year. A revised estimate is framed in the light of—

(*a*) the actuals so far recorded in the current year ;

(*b*) the actuals for the same period of the past and previous years ;

(*c*) the 12 months' actuals of the past and previous years ;

(*d*) orders, already issued or contemplated, of appropriation or re-appropriation or sanction to expenditure ; and

(*e*) any other relevant facts.

* * * * * * *

8. A budget estimate for the next year is much more of the nature of an estimate than is the revised. It should be framed in the light of—

(*a*) the revised of the current year ;

(*b*) the 12 months' actuals of the last and previous years ;

(*c*) any recognisable regularity in past years' figures ; and

(*d*) any special features known to be, or likely to be, arising during the next year (but see the latter portion of paragraph 4).

Under several heads there is never any reason to do other than repeat the revised estimate of the current year.

* * * * * * *

APPENDIX VI.

Note regarding works expenditure

We have been led to examine afresh certain aspects of works expenditure. We do not depart from the position that the M E S, the P. W. D and the Railway Department in respect of works expenditure should be required in general to conform to rules which are designed to assure the same broad principles of Parliamentary financial control as other spending authorities; that is to say, they must frame a definite programme of expenditure for the year as the basis of the Budget Estimate, and must conform to this as far as practicable. Ordinarily, a project should not be entered in the estimates until it has sufficiently advanced, that is to say, by the preparation of estimates and the obtaining of sanctions, etc., as to be ready to have money spent on it in the budget period. But owing to the special difficulties which exist in drawing up a stable works programme, possibly a year before it is to be carried out, we recognise that the foregoing requirements may have to be relaxed for good and concrete reasons in certain cases. We suggest that the Government may be allowed, in fact should be encouraged, to append to the Demands for Grants a further list of works in contemplation which may be substituted for works included in the budget if at the time of execution it is found that one or other of the latter, for some cogent reason, may or should be postponed or slowed down in favour of one or other of the former. This supplementary list should not ordinarily total more than about 25 per cent of the budget list. It would naturally be regarded as having less sanctity than the primary list and departures from the latter should not be undertaken lightly. Apart from this, when in a really unforeseen emergency works obviously necessary (*e g*, for financial reasons, or for the purpose of protecting human life) though not included in the budget or in the supplementary list, are actually carried out and financed by postponing a work included in the budget and reappropriating the funds provided for it, it should be recognised by the Public Accounts Committee, if the reasons are valid, that this may be a proper and necessary proceeding not deserving adverse criticism. But otherwise than in a proved case of urgent necessity, the programme of works should not go outside the two lists referred to above. Of course, there may be occasions when it will be necessary to obtain extra funds by means of a supplementary grant to cover a new work.

In the case of the civil works grants when the budget has been sanctioned, the Finance Department proceed to place the appropriations with or without some reservation at the disposal of the I and L Department which then manage its detailed utilisation throughout the year. When in the course of this management, the I and L Department find that money cannot be usefully applied to the purpose for which it was allocated in the budget, as an exception to the ordinary "surrender" procedure they need not surrender these funds to the Finance Department. Amounts may be reappropriated by the I and L Department to some other approved work on the supplementary list, if that can be undertaken with advantage during the year or to some urgent and unforeseen project which may have to be carried out at once. In such ... and L Department should be the authority to decide ... ting claims of different administrative De...

ment should regard itself as responsible for ensuring that if, otherwise than through the procedure of a supplementary vote, a work not entered in either of the lists is undertaken during the year, there are cogent reasons against its execution being delayed till the following year. The Appropriation Accounts should record these reasons and also give any explanation unless the same is self-evident why the work could not have been foreseen at the stage of making the budget. We make these recommendations recognising that it is desirable that in each year the restricted amount which may be available for works should be fully spent, both on economic grounds and in order to avoid later budgetary inconvenience. However, in saying this, the Committee does not wish to convey the impression that it is prepared to relax the financial powers of the legislature, and it will scrutinise the recorded reasons as hitherto very jealously.

If the Finance Department consider that there may be any further expedients which in a practical way will meet the special difficulties in the administration of works expenditure, while maintaining the sanctity of the principles of Parliamentary financial control, we shall be glad if those expedients together with the views here expressed may be referred for examination by the Auditor-General in consultation with the I. and L. Department and of course with the Finance Department also and put before us in due course.

APPENDIX VII.

Comparative Statement of Expenditure on Major Works (1935-36)
(Figures in thousands of rupees).

Demand	Sub-head.	Budget provision (including supplementary demand and additional non-voted appropriation)	Actual expenditure	Savings.	Excesses.
22—Irrigation, etc.	C 3 (1) ..	88	57	31	..
63B—Civil Aviation	A. 1 (1) ..	16,01	10,80	5,21	..
	B. ..	1,20	..	1,20	..
69B—Broadcasting	B ..	80	76	4	..
73—Civil Works	A. 1 (1) *Non-voted* ..	33	33	..	..
	A. 1 (1) Voted ..	1,33	2,26	..	93
	A 2	2,07	77	1,30	..
	A 3 (1) *Non-voted*	94	51	43	..
	A. 3 (1) Voted	95	67	28	..
	B. 1	1	32	..	31
	B 2 (1)	30	22	8	..
	B 3 (1) ..	3,08	372	..	64
Political	J 1 (1) *Non-voted*	30	45	..	15
Frontier Watch and Ward	C 1	4,15	2,87	1,28	..
	C 2	16,20	16,07	13	..
	C 3	4,85	4,33	52	..
	C 4	8,62	8,32	30	..
92A—Capital Outlay on Agriculture	A 1	4,00	1,49	2,51	..
	A 2	23,20	17,79	5,41	..
94—Vizagapatam Harbour.	C.	2,54	11	2,43	..
	D.	60	1,19	..	59
	E ..	8,09	3,74	4 35	..
Carried over ..		1,00,45	77,29	25,78	2,62

Demand.	Sub-head.	Budget provision (including supplementary demand and additional non-voted appropriation).	Actual expenditure.	Savings.	Excesses.
	Brought forward ..	1,00,45	77,20	25,78	2,62
97—Delhi Capital Outlay.	A 1	35	31	4	..
	A. 4 (1)	20,47	15,07	5,40	..
	A. 5 (1)	16,21	12,51	3,70	..
	A. 12	60	76	..	16
..	A. 13	5,76	20	5,56	..
	Total ..	1,43,84	1,06,14	40,48	2,78
	Net saving ..	37,70	..	..	..

Note.—Since the above figures were compiled, it has been found on recheck that the particulars under Frontier Watch and Ward include 20,07 under Original Provision and 20,05 under actual expenditure, which should be taken under Repairs instead of under Original Major Works. Allowing for these, the correct totals would be as follows:—

		1,23,77	86,09	40,46	2,78
	Net saving ..	37,68	..	..	..

APPENDIX VIII.

Memorandum regarding the fixing of percentages of variations between grant or appropriation and actual expenditure in the appropriation accounts of the Posts and Telegraphs Department below which explanations need not ordinarily be furnished.

The principle followed in the matter of furnishing explanations between grant or appropriation for a sub-head and the actual expenditure under it for purpose of inclusion in the Appropriation Accounts is stated in paragraph 57 of Appendix 16 of the Audit Code (extract enclosed)

2. Hitherto, no formal agreement was reached, with the concurrence of the Committee on Public Accounts as required in the rule cited above, as to the limit below which variations need not be explained in the Appropriation Accounts. The procedure followed in this connection so far in the Posts and Telegraphs Department, was the outcome of an informal understanding between the Audit and Administrative authorities that differences less than Rs 1,000 or 1 per cent of the grant should not be explained—unless the difference, though less than 1 per cent of the grant, was of some magnitude. The grant sanctioned for the Indian Posts and Telegraphs Department is distributed over thirteen separate controlling units, the major portion being divided between eight circles into which the postal and telegraph administration of India is divided. The head of each of these Circles known as Postmaster-General has very large powers of appropriation and reappropriation and any small variation in any unit in each of these Circles tend to swell the grand total for the whole of India. The arrangement has accordingly caused much inconvenience in actual working and unnecessary correspondence and labour without producing any commensurate results. The necessity for the fixation of more convenient limits has been under careful examination for some time past

3. After reviewing the whole position in consultation with the Accountant-General, Posts and Telegraphs, and the Finance Department it has been agreed that the following sliding scales in respect of all variations may be adopted for a period of two years, after which it may be further revised, if necessary, in the light of the experience gained,—

(A) Modifications of grants or appropriations. No explanation will be necessary —

(i) In cases where the modifications (i e, addition to or deduction from the original grant) are less than Rs. 1,000

(ii) If the modification is for Rs 1,000 or more but is less than 15 per cent. of the original grant

(B) Savings—

(i) No explanation will be necessary in cases where the variations are less than Rs 1,000

(*ii*) Explanations should be given—

(*a*) If the saving is Rs. 1,000 or more	..	and is also more than 10 per cent. of the final grant or appropriation.
(*b*) If the saving is Rs. 5,000 or more	..	" " 8% " "
(*c*) If the saving is Rs. 10,000 or more	..	6% " "
(*d*) If the saving is Rs. 20,000 or more	..	" " 5% " "

(C) Excesses—

(*i*) No explanation need be given if the excess is less than Rs. 1,000.

(*ii*) Explanation should be given if the excess is more than Rs. 1,000 and is also more than 1 per cent. of the final grant or appropriation.

This is always subject to the exception that if any important matter of principle is involved, the matter will always be brought to light.

4. The Auditor-General has been consulted and supports the above proposals. Approval of the Public Accounts Committee to their adoption with effect from the Appropriation Accounts for 1936-37 is requested.

EXTRACT (PARAGRAPH 57) FROM APPENDIX 16, TO THE AUDIT CODE—INSTRUCTIONS FOR THE PREPARATION OF APPROPRIATION ACCOUNTS AND AUDIT REPORTS—SECOND EDITION REVISED.

* * * * * * *

57. (*a*) It is unnecessary to explain the reasons for individual re-appropriations, withdrawals, surrenders or supplementary provisions unless—

(*i*) they are of appreciable size, or

(*ii*) the expectations with which they were made or obtained have fallen notably short of fulfilment.

(*b*) Trivial discrepancies between the final figure of the grant or appropriation for a sub-head and the actual expenditure under it need not be explained. If possible, an agreement should be reached with the Government and the Committee on Public Accounts, prescribing a money-limit, possibly modified by a percentage limit, below which discrepancies may be disregarded as trivial.

APPENDIX IX.

Note on the revision of the Army Regulations (Item 17 of the statement printed as Appendix I)

Both the Rules and Instructions of "Regulations* for the Army in India" are now in the press for final copies to be struck off and distributed. "Regulations for Civilians paid from Defence Services Estimates" are in press for final proof which on receipt will be submitted to the India Office for the approval of the Secretary of State. It is expected that 'Pay and Allowance Regulations" will be ready for the press by the middle of July.

In accordance with instructions received from the India Office the various regulations are to be divided into two parts, viz, Rules by the Secretary of State and Regulations by the Governor General under those rules. The "Regulations for Civilians" have been prepared on those principles, and these principles will be followed in all future cases of revision. It is hoped to take the revision of "Passage Regulations, India" in hand very shortly.

*Including a separate book of "Leave Rules"

APPENDIX X.

Note on the scheme for the employment of trained Public Works Department Accountants in the Military Engineer Services (Item 18 of statement printed as Appendix I).

It is understood from paragraph 11 of the proceedings of the Military Accounts Committee published as an Annexure 1 to the report of the Public Accounts Committee on the accounts for 1933-34, that the intention of the Committee was to have a report on the success or otherwise of the scheme after it had been tried for two years.

The scheme was introduced in April 1936. From the reports received from the Controllers it is observed that no noticeable improvement has so far been effected in the Military Engineer Services accounts by the Public Works Department Accountants. It is, however, realised that the task of changing or improving an established accounting procedure is by no means an easy one, and it is therefore too early to say anything definite about the success or otherwise of the scheme. A further report on the subject will be submitted after the period of two years is over.

APPENDIX XI.

Note regarding R. A. F. Stores and M. T. spare parts (Item 22 of the statement printed as Appendix I).

(R. A. F. stores.)

With reference to the desire expressed by the Military Accounts Committee in paragraph 18 of their Report on the Accounts of 1934-35, it is not proposed to refer again to the improvements already introduced, as indicated in paragraph 2 of Annexure III of that report

2 Further progress has been made in the matters mentioned below—

(1) *Equipment Tables*—Certain preliminary work has been done and the compilation of the tables will follow the completion of the Equipment Regulations to which priority was given.

(2) *Provision Instructions*—These have been completed and incorporated in the draft of the revised Equipment Regulations for the Air Forces in India instead of being made a separate publication.

(3) *Revision of Equipment (Stores) Regulations for the Air Forces in India.*—The revision is practically completed and the draft of the new edition will shortly be placed before the Defence Department for approval prior to publication The D A D S and M. A G have been consulted in matters requiring their agreement or advice. Every effort has been made in the course of the revision to observe all rules of general applicability contained in Financial Regulations; Regulations for the Army in India, Store Accounting Instructions and other relevant publications, and where necessary cross references have been included in the new edition.

(4) *Review of Stock limits*—This review has proved to be more involved, and has entailed far more work, than was originally visualised Apart from a detailed examination of the existing stock limits, and their adequacy or otherwise in the light of recent appreciations of India's accepted Defence commitments, it has been necessary to investigate the problem of war wastage in considerable detail and its repercussions on equipment organisation and supply in times of emergency Much of the basic work common to all categories of equipment has been completed.

(a) General Equipment

The draft of the proposals has been completed and this together with an appreciation of the general factors requiring consideration has been circulated to R A F. units with a view to eliciting any helpful suggestions, before the final draft is placed before the Government of India

(b) Airframes and engines.

The draft of the proposals is nearing completion but final consideration has yet to be given to certain matters including the formulae for cal-

culation of output of overhauled and repaired aircraft by repair units during. emergencies.

(*c*) *Mechanical Transport.*

(*d*) *Explosives.*

(*e*) *Petrol, oil and lubricants.*

Some further progress has been made and with the completion of much of the basic work common to all categories, the draft of the proposals under these heads will be completed in a shorter time than was required in respect of (*a*) and (*b*) above.

M. T. Spare Parts.

In paragraph 66 of his report for 1935 (on the accounts for 1933-34) the D. A. D. S. drew particular attention to the disposal of large quantities of spares pertaining to two types of vehicles, *viz.*, Albion A|10 Type 3 ton lorries and Holt tractors and suggested that there was perhaps an overstocking of all mechanical transport spare parts. The D. A. D. S. made a comparison of the issues made in 1933-34 of spare parts pertaining to the types of vehicles concerned, with the balances left over on 31st March 1934 and as they were much in excess of 27 months' consumption—a figure which was held to constitute a working basis for the calculation of stocks at the time—he concluded that there was evidence of overstocking.

2. There are, however, obvious fallacies in a reckoning of this sort. In the first place the formula would be alright with an equipment or vehicle which does not change in type from year to year. This however is not the case with M. T. Type change but new types are not introduced and all old types discarded all at once. There is a gradual change over. With the reduction in the numbers of a certain type of vehicle in the service, issues of spare parts pertaining to that type are automatically reduced, and the closing balances are correspondingly increased in relation to the number of vehicles in the service. The issues at such a time do not therefore represent the true provisioning basis.

This is obvious in the two cases in question. The Albion A|10 vehicle was a vehicle of 1914—18 design. The number of this type on 31st March 1934 was 110 against an original establishment of 391. In regard to the stock of spares for the Holt Tractors, it may be mentioned that the Tractors formed part of Field Army units and their efficient maintenance is much more important than that of vehicles in back areas. These vehicles were of American manufacture, retained in the service long after their economic life for want of a suitable replacement. The vehicles were also commercially obsolete and it was therefore imperative that a sufficient stock of spares should be maintained.

3. Another factor that accounts for apparent excess stock is that stocks of spares for obsolescent types of vehicles are not put up for disposal until the whole fleet of vehicles concerned is thrown up. Stocks rendered surplus are eaten down by reducing future orders. It will be appreciated that when a vehicle has to be kept beyond the termination of its economic life the cost of maintenance must be heavy. Parts which are not subject to early wear are usually expensive and it is these parts which have to be stocked in greater quantities when the vehicles are getting older. Obviously

it is more econo- . . .
of .
as . . . vehicle,

. . . . . factor which determines the size of the stock is the nature of the type of vehicles introduced into the service.

Prior to the introduction of the six-wheeled vehicle, much of the fleet was composed of war time or early post war vehicle. In the initial stage of mechanisation there was no reliable data for provisioning and no statistics of normal issues for maintenance and stocks were laid in as they were deemed essential. The stocks of spares for these were inflated, as the vehicles had completed a period of stress in Waziristan resulting in increased maintenance spares.

In deciding the stocks to be laid in for the six-wheeled vehicle, it was necessary to consider the fact that a new type of vehicle was being introduced in the service with a cross country performance far in advance of anything previously possible. Another equally important factor was that the vehicle was untried commercially. It was therefore decided that a sum equal to 12 per cent. of the capital cost of the vehicles would have to be provided for initial stocks of spare parts.

A comparison made in 1932 of the stocks of M. T. held in India with those held by certain transport firms in England revealed that the stocks were by no means excessive.

5. All Army vehicles, whether within or beyond their limit of economic life have to be maintained in such a state of mechanical efficiency as will enable them to take the field immediately on mobilization. This, it will be appreciated, means holding more stocks than any civil transport organisation would feel bound to hold.

6. With the recent development of mechanization the following factors have operated to cut down stocks :—

(a) Standardisation of vehicles and the adoption of commercial types of vehicles for army requirements.

(b) Cutting down of initial stocks of spares in the case of new vehicles from 12 to 6 per cent. as a result of reduction in the period of supply and certain other reasons mentioned below.

(c) Developing of motor trade in the country through opening of agencies of the principal motor manufacturers of the United Kingdom and the setting up of the assembly plants of Ford and General Motors.

(d) Drawal of stores from firms' stocks against running and rate contracts.

(e) Introduction of the 'cellar' system of carrying stocks in cases of tyres and tubes of Messrs. Dunlops.

7. The results are reflected in the stocks of the M. T. :—

	Number of M. T. vehicles in service.	Value of spare parts. (In lakhs).
1931-32	4,458	69·17
1932-33	4,630	66·99
1933-34	4,687	50·49
1934-35	4,571	49·83
1935-36	4,823	45.48
1936-37	4,690	42·31

Taking advantage of the rate contracts concluded with Ford and General Motors, the stock per vehicle of Ford and General Motors has been reduced as low as Rs. 68 and Rs. 157 respectively.

8. It is expected that as the result of the findings of the " Standardisation Committee " assembled under the orders of the Q. M. G. in India further economies will be effected in vehicle provision and maintenance. There is a proposal to enter into rate contracts with the principal motor manufacturers in the United Kingdom ; when these contracts are concluded, the time taken to obtain spare parts imported from England will be considerably reduced. This will enable further reductions being made in the stock of M. T. spares.

9. During the past seven years the authorities have followed a policy of extending the life of vehicles wherever possible, and the necessity for maintaining a larger stock of spares as the vehicles grow older has already been explained. The extension of the vehicle life has enabled the authorities to revise the rate of contribution for the M .T. Equalisation Fund and to release for expenditure on other essential services, a sum of Rs. 44 lakhs out of the accumulated balances in the Fund.

APPENDIX XII.

Note on the payment of compensation to Military Officers for inf quarters (Item 24 in the statement printed as Appendix I).

In connection with the grant of compensation for inferior accom dation, the Military Finance Branch have made the following p posals :—

(a) That the grant of compensation for inferior quarters to mi tary officers should be abolished and that in cases where th accommodation allotted is less than that authorised, th officers may be permitted to pay the assessed rent of the quarters and draw the lodging allowance to which they are entitled if more advantageous to them.

(b) That for the purpose of recovery of a reduced rate of rent or a portion of lodging allowance a building should not be declared wholly or partially uninhabitable for climatic reasons.

2 The Q M. G 's Branch have accepted the second proposal and have agreed to the view that the rule regarding compensation when a building is rendered wholly or partially uninhabitable was not intended to cover cases arising out of climatic considerations

3 With regard to the first proposal, that Branch have stated that the principle of granting compensation for inferior accommodation is of long standing and that several classes of personnel other than officers have all along been eligible for it That Branch also apprehended that the concession implied in the proposal of paying assessed rent if more favourable would, in practice, be nullified by the fact that assessed rent is seldom, if ever, cheaper than lodging allowance to officers. The objections of the Q. M. G 's Branch have been considered by the M F Branch and the file is at present under consideration by the Q M. G. in India.

they agreed that the provision of war equipment for P. O. L. Sections was of primary importance and should be proceeded with at once. A statement of case for the provision of funds for this purpose has been submitted to P. S. Os.

The allotment of funds to complete other Supply Units to scale in accordance with the published W. E. Ts. is under examination at Army Headquarters.

I certify that on 31st March 1937, the war reserves of stores authorized by the Government of India to be held at that date for the mobilization of R. I. A. S. C. (Transport) units in Northern Command and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand.

2. This certificate is provisional in the case of the units in Rawalpindi and Waziristan Districts, as a considerable amount of equipment from these Districts is in use in the field, and is consequently not at present accounted for. Modifications to the certificate in respect of units in these two Districts will, if necessary, be submitted at the conclusion of the Operations.

3rd June 1937.

A. M. MOENS, *Lieut.-General,*

Q. M. G.

APPENDIX XIV.

Annual Certificate of the Master-General of the Ordnance in India.

I certify that on 31st March 1937 :—

1. The mobilization equipment and clothing authorised to be held for the mobilization of the Army in India and detailed in published War Equipment Tables was complete to the extent to which the quantities have been provided with the following exceptions :—

(a) Fluctuations due to the normal maintenance of such equipment.

(b) Deficiencies due to a fire in Quetta Arsenal on the 30th March 1937 when a considerable amount of mobilization equipment was destroyed.

(c) Deficiencies due [illegible] the Waziristan [illegible] temporary in c[illegible] demobilization.

2. War Ma[illegible] m[illegible] fi[illegible] wi[illegible]

(a) In a total of 612 items the war maintenance reserves had to be drawn on to carry out peace time maintenance. Of these 611 items were in connection with the Waz[illegible] and 22 [illegible] Steps w[illegible] deficien[illegible]

(b) The stocks of 18-pdr. ammunition which are held do not cover the requirements of Royal Horse Artillery Batteries : these are temporarily armed with 18-pdr. equipments, whilst their new 3.7″ equipments are being manufactured.

(c) A shortage in reserve of 640 miles of D8 Single Cable has not been made up as an increase in the scale of wireless sets may render this unnecessary.

3 Materials and semi or fully manufactured articles, including tools and machinery which have been set aside in Ordnance Factories, or provided for them from specially allotted funds, as reserves to enable expansion after [illegible] [illegible]ed out according to programme, were [illegible] [illegible]ntities temporarily withdrawn to meet [illegible], all such withdrawls were covered by [illegible] on other

R K HEZLET, *Major-General,*

Officiating Master-General of the Ordnance in India

28th May, 1937

L82FinD—830—21-8-37—GIPS

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Part I.—Civil, Posts and Telegraphs and Defence Services.

Financial results of the year.—The following table compares the original and final grants and appropriations with the actual expenditure for the year :—

[In lakhs of Rupees]

	Original grant or appropriation	Final grant or appropriation	Actual expenditure
Expenditure charged to revenue (Voted)	24,76	24,92	23,66
Expenditure charged to capital (Voted)	2,92	2,92	2,59
	27,68	27,84	26,25
Disbursements of loans and advances (Voted)	1,41	1,47	1,30
Total (Voted)	29,09	29,31	27,55
Expenditure charged to revenue (Non voted)	78,40	79,02	78,91
Expenditure charged to capital (Non-voted)	14	10	8
	78,54	79,12	78,99
Disbursement of loans and advances (Non-voted)		1	1
Total (Non voted)	78,54	79,13	79,00
Total expenditure charged to revenue	1,03,16	1,03,94	1,02,57
Total expenditure charged to capital	3,06	3,02	2,67
Total disbursements of loans and advances	1,41	1,48	1,31
GRAND TOTAL	1,07,63	1,08,44	1,06,55

...here was thus a total saving of Rs. 189 lakhs or 1 74 per cent of the final ...ant.

The following table compares the percentages of savings in the three ...n sections of the budget for the last five years —

	1934 35	1935-36	1936 37.	1937-38	1939-39.
...diture charged to revenue	—1 1	56	·35	73	1 32
...iture charged to capital	8 9	6 99	16 78	34·4	11·59
...ments of loans and advances	49 2	8 79	50 82	9 52	11·49
...d percentage	2 9	1 69	3 21	1·24	1·74

The increase in the percentage under the revenue section as well as in the combined percentage was mainly due to the savings produced by the extensive economy measures adopted after the budget was framed in 1938 as soon as it became apparent that with the fall in revenue particularly under Customs there would be a large gap between revenue and expenditure on the year's working. This economy drive produced over Rs. 120 lakhs of savings as a result of a detailed prunning over the entire field of Central expenditure open to retrenchment which was carried out with the active co-operation of the administrative departments. In these circumstances we feel that the increased percentage of savings is to be taken as a measure of the success achieved by the Government in its economy drive and not as indicating any deterioration in the year's results.

2. *Excesses.*—In the following cases actual expenditure exceeded the grants voted by the Legislature :—

Item No.	Name of Grant.	Final Grant.	Actual Expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
1.	2.—Central Excise Duties	10,50,000	11,64,751	1,14,751
2.	14.—Legislative Assembly and Legislative Assembly Department . . .	9,37,000	9,52,872	15,872
3.	53.—Census	5,000	5,174	174
4.	73-A.—Stores and Workshop—Expenditure not charged to revenue .	1,000	1,85,697	1,84,697

The reasons for these excesses are briefly explained below :—

Item 1.—Share of the combined Central Excise and Salt establishment debitable against this Grant after the amalgamation of the two establishments was more than that provided for in the original budget for Central Excise establishment. As the ratio for working out the share was fixed after the close of the year, no funds could be provided to cover the excess.

Item 2.—Some bills of members of the Legislative Assembly were actually paid in March 1939 instead of in April 1939 as was anticipated.

Item 3.—Inadvertent omission to provide for this small excess.

Item 4.—Demand No. 73-A was introduced in 1938-39 to include the net requirements under Stores and Manufacture Suspense which used to be included previously in the Demand for Capital outlay on New Assets. The net amount required in the Budget Estimates being a minus figure (Rs. 1,26,000), a sum of Rs. 1,000 was voted by the Legislative Assembly. The actuals, however, belied expectations and the expenditure was Rs. 1,85,697 resulting in an excess of Rs. 1,84,697.

We recommend that the necessary excess grants be voted by the Legislative Assembly.

3. *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual, to be regarded as part of our report. In the following paragraphs we refer only to some of the more important questions considered in the course of our examination.

4. *Accuracy of budgeting and control over expenditure*.—The c
siderable savings accruing from the various post budget measures
economy already mentioned served to obscure the indication of the star
ard of budgeting achieved which is usually given by the percenta
variations between the actuals and the original and modified appropri
tions. But we are glad to note the general conclusion arrived at by th
Auditor General that the improvement noticed last year in regard to botl
budgeting and control has been maintained during the year under report.
We have been impressed with the value of the system, introduced in
accordance with our recommendation, of making lump sum cuts for pro-
bable savings in Grants where it is found, particularly in the case of
Capital Works, that there have been large savings from year to year
Even though the system may at time lead to excesses we consider that these
excesses are preferable to the provision of funds far in excess of actual
expenditure and that the system should continue

As regards our previous recommendation that larger units of Appro-
priation should be devised in a limited number of Grants, which was
carried out as an experiment in the estimates for 1939-40, we are glad to
learn that this process will be carried further during the revision of the
Detailed Estimates and Demands for Grants, which is now to be carried
out in consultation with the Auditor General We have agreed that this
proposal shall be tried as an experiment for one year on the assurance
that the revision will in no wise impair the control of the Legislature over
appropriations and that if after a year's trial it is found that any in-
convenience or disadvantage from the point of view of the scrutiny which
should be exercised by the Legislature has resulted from the change, the
matter will be re-considered In the meanwhile we trust that the expecta-
tion that the revised compilation of the Detailed Estimates and Demands
for Grants will not only bring about a considerable saving in printing and
paper but will be of real assistance to the Legislature, will prove correct
and we shall await with interest the skeleton form of the final scheme
which is to be circulated to us later

5 *English Expenditure*—We have again been struck by the wide
variations noticeable under the sub-heads relating to English Expend
ture in regard to leave and deputation salaries, to which our attention
was specially drawn by the Auditor General As recommended by us
ast year the question whether the High Commissioner's estimates for
ave salaries should not be based on leave programmes or forecasts fur-
shed to him from India as well as on past actuals was duly taken up by
e Finance Department and we have carefully considered the reasons
t forward by them in favour of the existing procedure But while we
ept the proposition that it would be impracticable to frame the esti-
es solely on the basis of leave programmes which have to be framed
months in advance of the year to which they relate and which can-
take into consideration the allocation of leave salary between various
tments and Governments we consider that it should lead to more
ate budgeting if the High Commissioner's estimates are communi-
to the Departments concerned with the request that they will inti-
any broad modifications which appear to be required on the basis
r knowledge as to the number of officers likely to be on leave during
dget year We therefore desire that the matter should be pursued
e lines and a further report submitted to us next year

6. *Unnecessary Supplementary Grants.*—We have been gratified to learn that in 1938-39 for the second year in succession no supplementary Demand was presented to the Legislative Assembly which proved to be unnecessary and to note that the improvement which resulted from the instructions issued on our recommendations about the presentation of supplementary demands to the Legislature is being maintained.

7. *Works Expenditure.*—We have repeatedly drawn attention to the large savings under the Grants dealing with Works Expenditure especially in the provision for major works and the results of the action taken on our previous recommendations to counteract the persistent tendency towards over-budgeting for Works Expenditure should have been apparent in the Accounts under review. But in the year in question on account of the economy campaign that had to be undertaken after the budget was framed, a large number of works were either postponed or abandoned and the resulting savings under each class of works were so large as to obscure the variations from the more normal causes which still appeared to operate though to a lesser degree. We can therefore only repeat our previous recommendation that lump sum cuts should be applied vigorously at the time of the budget estimates, particularly in the case of new works, and trust that the changes introduced, including the preparation of a supplementary list of approved works to be financed out of savings, will lead to further improvement in the budgeting and control of this Grant in future.

8. *Report of the Military Accounts Committee.*—We append the report submitted by the Military Accounts Committee constituted to conduct a preliminary examination of the Military Appropriation Accounts and connected documents. We endorse the recommendations and suggestions made by the Committee both in their report and in the proceedings of their meetings.

Part II.—Railway Accounts.

9. *Financial results of the year.*—The following table compares the original and the revised estimates with the actual expenditure of the year under report :—

[Lakhs of Rupees.]

	Budget.	Revised.	Actuals.
Traffic receipts (less refunds)	94,25	94,65	94,48
Miscellaneous receipts	1,46	1,49	1,49
Working expenses (including depreciation)	62,55	63,55	64,04
Miscellaneous expenditure	1,29	1,26	1,26
Interest charges	29,31	29,28	29,30
Surplus (+) or Deficit (—)	+2,56	+2,05	+1,37
Contribution to general revenues	2,56	2,05	1,37

The year's working thus resulted in a surplus of Rs. 1,37 lakhs, which, with the suspension of repayments of loans from the Depreciation Fund, was utilised in making a part payment of the contribution to general revenues.

10 *Excesses over voted grants*—There were six excesses over voted grants as compared with seven in the previous year :—

Grant	*Final Grant.*	*Actual Expenditure.*	*Excess.*
	Rs	Rs	Rs
6 B.—Revenue—Working Expenses—Maintenanace and Supply of *Locomotive* Power . . .	17,63,85,000	17,81,58,557	17,73,637
6-C.—Revenue—Working Expenses—Maintenance of *Carriage* and Wagon *Stock*	5,74,35,000	5,75,46,379	1,11,379
6-G.—Revenue—Working Expenses—Miscellaneous expenses. . . .	4,22,85,000	4,35,79,896	12,94,896
6-H.—Revenue—Working Expenses—Expenses of *Electrical* Department	3,76,40,000	3,80,25,115	3,85,115
8—Revenue—Interest Charges . .	2 63,000	2,63,983	983
12.—Open Line Works . . .	8,83,69,900	9,34,68,140	50,98,240

Brief explanations of these excesses are given below —

Grant No. 6-B—The chief cause of the excess was the increase in the consumption and stocking of coal and freight charges on coal

Grant No. 6-C.—The excess was largely due to increase in the cost of repairs to coaching and goods vehicles owing to more intensive repairs required to be carried out during the year on almost all railways

Grant No. 6-G.—The chief cause of the excess was larger payment of gratuities on account of premature retirements and deaths

Grant No. 6-H.—The excess was chiefly due to heavier repairs to electric installations and renewal and replacement of dynamos, cells and batteries mainly on the East Indian and the Great Indian Peninsula Railways

Grant No 8.—The excess which is nominal was due to fluctuations in the rates of exchange.

Grant No 12—The excess was largely due to increase in the stores balances as a result of increased advance purchases during the year in view of the uncertain conditions in Europe

We recommend that the necessary excess grants be voted by the Legislative Assembly

11. *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual to [illegible] our report. In the follow[illegible] important

[illegible]

[illegible]*uracy of budgeting and control of expenditure*—The accounts of the year show a total excess of Rs 10 lakhs or 0 1 per cent under Revenue expenditure (exclusive of withdrawals from and repayments to the Depreciation Reserve Fund) and an excess of Rs 2 lakhs or 0.18 per

cent. under Capital expenditure. This compares as follows with the results achieved in the four preceding years :—

[In lakhs of Rupees.]

Year.	Final Grant and Appropriation.	Savings (—) or Excess (+).	Percentage of Column 3 to column 2.
Expenditure charged to Revenue (excluding appropriations to and from the Depreciation Reserve Fund.)			
1934-35	98,10	+8	·08
1935-36	98,52	—56	·57
1936-37	98,41	—1,35	1·37
1937-38	98,30	+63	·64
1938-39	99,64	+10	·10
Expenditure charged to Capital and the Depreciation Reserve Fund.			
1934-35	13,72	—4,56	33·24
1935-36	14,85	—3,23	21·75
1936-37	11,18	—2,07	18·51
1937-38	10,70	—24	2·25
1938-39	13,50	+2	·18

The position with regard to Revenue expenditure was better than that of the previous year while there has been a considerable improvement over the last three years. At the same time the substantial improvement in connection with the Capital Grants brought about last year was maintained and the final variation was made to appear still smaller by the fortuitous cancelling out of an uncovered excess of Rs. 51 lakhs under Grant No. 12 and a saving of Rs. 49 lakhs under Grant No. 11. The lump sum cut imposed this year on Grant No. 12 proved excessive largely due to the policy adopted during the course of the year of increasing the balances of imported stores in view of the threatening international situation and we hold to the opinion that such excesses resulting from the application of lump sum cuts are to be preferred to the previous very large savings that occurred year by year under the Capital heads. We therefore endorse our previous view that the procedure of lump sum cuts should be continued, though, as we have indicated in the proceedings, the proportion of the cut applied may now be somewhat restricted.

13. *Railway Accounts Department.*—The final report of the Auditor General on the experiment of placing the Chief Accounts Officer and his establishment under the control of the General Manager on two Railways together with the conclusions of Government thereon was examined by us with care. We were glad to learn that the objections raised by the Auditor General regarding the administrative arrangements for the Accounts staff which were not in consonance with the principles accepted by the Committee in approving of their transfer to the control of the General Manager, had been entirely removed by instructions issued by the Railway Board, who had fully accepted the propositions of the Auditor General as to the relations which should obtain between the different authorities concerned in this matter. As the Auditor General is satisfied that with the arrangements as now agreed upon there is no reason of

principle why the system under experiment should not be a success an[d] that it is indeed desirable that it should be established if it will encourag[e] General Managers to utilise more fully the accounts knowledge and financial advice of their Chief Accounts Officers, we have approved the extension of the system to other State Railways as and when it is found suitable to introduce the change

14 *Unsanctioned Expenditure*—A matter to which we devoted considerable attention was the question of delay in the settlement of items under objection, as indicated in the long list of cases given by the Chief Commissioner in Annexure A to the Appropriation Accounts held under objection as incurred without the sanction of competent authority The cases examined by us did not appear to disclose any reprehensible lack of financial control and while in certain cases we have desired further investigation to see if the rules regarding the preparation of formal estimates require amendment, our general conclusion is that the question of exhibiting such items of expenditure as objectionable needs examination For, as pointed out by the Auditor General, the list in Annexure A is presented by the Chief Commissioner of Railways, and it might well be decided to omit items merely requiring technical sanction and to leave it to the usual operation of audit to bring to notice cases in which subordinate authorities have exceeded the sanction of the competent authority or have failed to complete the procedure as regards the submission of estimates within a reasonable space of time We therefore consider that the possibility of treating these cases as a domestic matter for settlement between the railway administrations and the audit authorities should be examined and we shall be glad if the Railway Board will let us have a report on the conclusions reached next year

15 We desire to place on record our appreciation of the extremely valuable assistance and advice given to us by Sir Ernest Burdon, the late Auditor General, throughout his long association with the Committee and to thank his successor for the assistance we have received from him during the remainder of our proceedings

A J RAISMAN
J RAMSAY SCOTT
R D DALAL
M A GHANI
ABDUL HAMID
FAZL-I-HAQ PIRACHA
M AZHAR ALI
SYED RAZA ALI

H A C GILL,
Secretary.
31st August 1910

Proceedings of the 1st meeting of the Public Accounts Committee held on Wednesday, the 14th August 1940, at 11 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member.	*Chairman.*
Moulvi MOHAMMAD ABDUL GHANI. Mr. MOHAMMAD AZHAR ALI. Mr. J RAMSAY SCOTT. Sir Syed RAZA ALI. Dr. R D. DALAL, C.I.E. Khan Bahadur Shaikh FAZL-I-HAQ Piracha. Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	*Members.*
Mr. L. WILSON, Chief Commissioner, Railways. Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner of Railways. Mr. T. S. SANKARA AIYAR, C.I.E., Director of Finance, Railways. Mr. D. C. CAMPBELL, Controller of Railway Accounts.	*Witnesses.*
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General of India.	
Mr. E. R. SESHU IYER, Director of Railway Audit.	
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.	

The Committee agreed that in the special circumstances of the year when the Chairman and the majority of the witnesses had urgent work to do in connection with the war, meetings should be held in the mornings only, starting at 10-30 A.M.

2. The Committee started their examination of the Railway Accounts by considering the items in the statement (Appendix I) showing the action taken on the recommendations made last year.

3. *Saloons maintained for the use of Railway officers.*—The Committee accepted as satisfactory the programme of reductions in total number of inspection carriages as outlined in the Railway Board's note (Appendix III) on the subject and desired that a further report to show the progress made in relation to this programme should be submitted next year.

4. *Railway Accounts Department.*—The memorandum (Appendix IV) on the experimental transfer of the Accounts Department in two railway administrations to the control of the General Manager together with the report of the Auditor-General was considered. The Auditor-General expressed himself as satisfied that with the arrangements now agreed upon

and put into effect with the issue of the latest instructions, there was no reason of principle why the system under experiment should not be a success and he would be glad if all Chief Accounts Officers were given the extended functions considered desirable in the interests of efficiency. On this, the Committee accepted the system in principle and agreed that it should be left to the Railway Board to extend it to all State-managed railways at such time as appeared to be suitable.

5. With regard to the remark made in paragraph 7 of last year's report that the position of railway revenues was not free from anxiety and that it was necessary to continue unremittingly the efforts to achieve a satisfactory result, the witnesses assured the Committee that all possible steps were being taken in this direction. The Committee noted that the railway authorities were still effecting economies by retrenchments in expenditure on the lines of the Pope Job Analysis and trusted that this would be continued.

6. *Classification of expenditure provided under an incorrect head in the budget.*—In connection with the memorandum submitted on this subject (Appendix V) it was stated that the Finance Department and the Auditor-General were in agreement with the view of the Railway Board that in the case of railways the correct classification should be followed in the accounts irrespective of whether the provision in the budget had been made under the correct unit or not. The Committee [illegible] this conclusion and noted that [illegible]

[illegible] Accounts Committee, would con-

7. *Allocation of write-back adjustments on account of abandoned projects.*—With reference to the memorandum on this subject (Appendix VI) the Auditor-General stated that he was satisfied that the practice under the revised rules of transferring the cost of abandoned assets to the Depreciation Fund did not contravene the sound principles of accounting. The Committee thereupon accepted the conclusions embodied in the note and agreed that the revised rules should continue.

8. Audit[illegible]
fying [illegible]
with the [illegible]
before r[illegible]
The Cor[illegible]
been sat[illegible]

9. *Chief Commissioner's Review of the Appropriation Accounts.*—The financial results of 1938-39 were compared with those of earlier years as well as with the year 1939-40, a summary of the approximate financial results of which (Appendix VII) was furnished to the Committee. It was pointed out that in the period of 15 years from 1924-25 to 1938-39 the Indian State-owned railways had met all charges on commercial and strategic lines, including renewals and interest, and in addition had been able to pay a contribution of Rs. 45¾ crores to general revenues and to accumulate a reserve of Rs. 25¼ crores, results which were by no means unsatisfactory, and that the approximate figures for 1939-40 showed a

surplus of about Rs. 4.33 crores which was nearly Rs. 3 crores more than that of 1938-39 and only Rs. 1|3 crore below the full contribution due under the Railway convention.

10. *Grant No. 6-B.*—The explanations for the increase in working expenses during the year under review, which was stated to be mainly on account of coal, repairs to rolling stock and flood damages, were examined at length. It was explained that as regards coal there was not only a rise in prices, but consumption had been greater on account of increased traffic demands and the measures adopted for the speeding up of goods and passenger traffic and at the same time stocks had been increased by an extra 30 days supply. As regards the increased expenditure on repairs, the heavy increase in train miles run in 1937-38 had made itself severely felt in repairs to rolling-stock in 1938-39 and the situation had been further aggravated by the general increase in the price of materials required for repairs. The Committee noted that these factors were to be taken into consideration in regard to grant No. 6-B., where there was a marked increase in expenditure for no increase in receipts, and that in large part they explained the excess that occurred even after a substantial supplementary grant had been obtained from the Assembly.

11. *Grant No. 6-G.*—The excess under this head was explained as mainly due to larger payments on account of gratuities and it was stated that instructions had already been issued to the railway administrations to improve budgeting for gratuity payments, the effect of which would it was hoped be apparent when the accounts for 1939-40 were compiled.

12 *Grant No. 6-H.*—The sudden increase in the figures under this head and the uncovered excess that occurred after the taking of an inadequate supplementary grant was explained as due to the fact that in order to bring all the expenditure on electric traction services, communications and train control arrangements under one head on all railways the scope of the demand had been widened from the year under review. This enlargement involved the transfer to this grant of large sums previously budgeted for and booked under other heads and though every effort had been mode to forecast the correct expenditure, in the absence of proper data the forecast proved inaccurate. It was hoped that with the experience since gained the budgeting under this head would in future be more accurate.

13. *Grant No. 11.*—Attention was drawn to the fact that the expenditure on new construction had been as much as Rs. 49 lakhs less than the amount provided in the budget. It was explained that the chief reason for the saving was the non-payment of the purchase price for a railway as the one year's notice required to be given under the terms of the contract could not be issued owing to the unexpected delay in the preparation of revised estimates necessitated by the rise in prices.

The Committee then adjourned till 10-30 A.M. next day.

Proceedings of the 2nd meeting of the Public Accounts Committee held on Thursday, the 15th August 1940, at 10-30 A.M.

PRESENT.

The Hon'ble Sir JEREMY RAISMAN, C S I, C I E, I.C S, Finance Member — *Chairman*

Moulvi MOHAMMAD ABDUL GHANI
Mr. MOHAMMAD AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir Syed RAZA ALI
Dr. R D DALAL, C I.E
Khan Bahadur Shaikh FAZL-I-HAQ Piracha
Khan Bahadur Sir ABDUL HAMID, C.I E, O B E — *Members.*

Mr L. WILSON, Chief Commissioner, Railways
Mr B. M. STAIG, C S I, I C S, Financial Commissioner, Railways
Mr. T. S SANKARA AIYAR, C I E, Director of Finance, Railways.
[M]r. D C C[A]MPBELL, Controller of Railway Accounts. — *Witnesses*

Sir ERNEST BURDON, K C I E, C.S.I, I C S, Auditor-General of India
Mr. E. R SESHU IYER, Director of Railway Audit
The Hon'ble Mr. C E. JONES, C.I.E, I C S, Finance Secretary.

14 The Committee continued their examination of the Railway Appropriation Accounts in conjunction with the Chief Commissioner's Review and the Audit Report A certain difficulty was experienced in following the explanations and comments on the various points in turn in each of these three volumes and the Committee desired that in future a key statement should be prepared, on the lines of that supplied by the Auditor-General on the Civil Appropriation Accounts, to correlate the references on each grant.

15 *Grant No. 12*—Attention was drawn to the fact that this grant which had been showing heavy savings in the past had for the last two [y]ears been showing excesses This was stated to have been brought about [b]y the system of lump sum cuts which had been revived from the budget [of] 1936-37 In discussion it appeared that though in 1938-39 the lump sum [cu]t of about 16 per cent. made on the gross provision in the [est]imate proved excessive, so far as the expenditure on rolling [sto]ck and engineering works was concerned, the revised estimate [and] final grant proved fairly accurate and the excess occurred [mai]nly under the suspense balances on account of increased pur[chas]es of stores. It was explained that with the growing uncertainty of the

international situation a general policy had been adopted of increasing the balances of imported stores and while the budgeting under Stores Suspense had always been a matter of great difficulty and on some Railways there appeared to be a lack of correlation between the Stores Suspense budget and other parts of the grant, instructions embodying a scheme for framing more accurate estimates in the Stores budget were under consideration. The Committee accepted the policy of increasing the Stores balances as fully justified, but hoped that the closer attention which is being given to the budgeting for Stores Suspense would produce more accurate results in future. They also endorsed the views of their predecessors that excesses brought up by the application of lump sum cuts were preferable to the large savings that occurred previously. While therefore they desired that the system of lump sum cuts should continue, the Committee expressed the view that the proportion of the cut applied might be somewhat restricted.

16. *Excesses over Grants.*—After considering the more important variations between the actual results of the year and the original anticipations, the Committee decided to recommend that the excesses which had occurred over the final grants in the voted section of Grant No. 6-B, Grant No. 6-C, Grant No. 6-G, Grant No. 6-H, Grant No. 8 and Grant No. 12 be regularised by a vote of the Legislative Assembly.

17. *Irregular re-appropriations.*—The Committee were gratified to note the report of the Auditor-General that there had been no cases of irregular re-appropriations from one grant to another on the Railways during the year under review.

18. *Restriction of expenditure to amounts fixed in Revised Estimates.*—A member suggested that the practice by which the Railway Board intimated to the Railway Administrations the amounts fixed for their revised estimates for Revenue Grants by the middle of January each year so that the latter might have sufficient notice of any reductions made in their demands, should also be extended to the Open Line Works Grant. It was explained however that for Capital Heads it was undesirable to restrict the work to be carried out to the revised estimates and as this was also the view of the Auditor General the Committee considered that no change was required in the existing procedure.

19. *Unsanctioned expenditure.*—Considerable discussion then took place regarding the items of expenditure held under objection as incurred without the sanction of competent authority which were listed in Annexure 'A' to the Appropriation Accounts. The comparison of the figures for 1938-39 with those of the previous years appeared to indicate that the position with regard to unsanctioned expenditure which had been commented on last year had deteriorated further. Further definite instances were examined which seemed to indicate that the system required to be revised. Thus in one case where the Railway Board had decided that estimates were required to be prepared for certain Scattered Renewals carried out during 1937-38 the matter was still under correspondence. In another, expenditure had been incurred on under-frames, wheels and axles for certain carriages, but submission of the detailed estimate had been held over pending receipts of the Railway Board's sanction to the proposal for building the vehicles themselves. The Auditor-General supported the view that the question of exhibiting these items differently

Proceedings of the 3rd meeting of the Public Accounts Committee held on Friday, the 16th August 1940, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member.	*Chairman.*
Moulvi MOHAMMAD ABDUL GHANI. Mr. MOHAMMAD AZHAR ALI. Mr. J. RAMSAY SCOTT. Sir Syed RAZA ALI. Dr. R. D. DALAL, C.I.E. Khan Bahadur Shaikh FAZL-I-HAQ Piracha. Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	*Members.*
Mr. L. WILSON, Chief Commissioner, Railways. Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner of Railways. Mr. T. S. SANKARA AIYAR, C.I.E., Director of Finance, Railways. Mr. D. C. CAMPBELL, Controller of Railway Accounts. Mr. J. D. TYSON, C.B.E., I.C.S., Secretary, Education, Health and Lands Department. Mr. G. S. BOZMAN, C.I.E., I.C.S., Joint Secretary, Education, Health and Lands Department.	*Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General of India.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

Mr. E. R. SESHU IYER, Director of Railway Audit.

Mr P. M. RAU, M.A., Accountant General, Central Revenues.

20. The Committee continued their consideration of the question of unsanctioned expenditure and were informed by the Financial Commissioner that since the statement given in Annexure A of the Appropriation Accounts had been prepared and after a reference by the Railway Board to railway administrations in March last, when attention was drawn to the apparent deterioration in the position as compared with the previous year, out of those items quoted in the Audit Report 9 items amounting to Rs. 29·35 lakhs under objection for want of estimate, and 24 items, totalling about 4½ lakhs, under objection on account of excesses over estimates, had been cleared.

21. The Committee examined in some detail a few of the larger outstanding items, with a view to ascertaining how far the objections were merely of a technical nature or suggested the absence of proper

financial control. In regard to items 4 and 5, totalling over 28 lakhs on page 101 of the Appropriation Accounts (which have since been regularised), they were informed that these items were included in the *programme* of the East Indian Railway for 1938-39 after sanction by Government at an estimated cost of approximately the sums under objection. The wagons in question had been put out to tender and supplied by contracting firms. It appeared, therefore, that the preparation of a further estimate was a formality The Committee however desired that the case should be further investigated to see if the rules regarding estimates in such cases required amending, to eliminate unnecessary work, or if the matter was purely of a technical nature not requiring inclusion in a list of unsanctioned expenditure in the Chief Commissioner's report to the Committee.

22. In regard to item 1 on page 95 and item 1 on page 105 of the Statement, each of over 11 lakhs, it was explained that the necessity for detailed estimates had arisen incidentally, consequent on certain changes in the allocation rules in 1936-37, the implications of which in regard to the standing orders on the subject of detailed estimates had not been appreciated at the time. As, in consequence of that change, the works in question were chargeable to the Depreciation Fund, instead of to revenue, detailed estimates became necessary as the rules stood. It was only in November 1939 that the matter was considered by the Board on its merits when it was decided that detailed estimates should be prepared. The Chief Engineer had, however, represented that, considering the nature of the work, the preparation of detailed estimates would involve much infructuous labour which would not improve financial control. The matter had therefore been the subject of discussion between the G I P Railway Administration and the Chief Auditor of the Railway The solution arrived at by these two authorities had been submitted for the consideration of the Director of Railway Audit who it was understood had agreed and would be considered by the Railway Board If accepted it would ultimately involve some modification of the standing orders in paragraph 920 of the Engineering Code This would also have the effect of regularising the expenditure that had been placed under objection in the past.

23 The Committee then considered items 4—9 on page 103 of the Statement and items 6—10 on page 104 They were informed [illegible] items related to expenditure on underframes [illegible]
included [illegible]
submitted [illegible]
Committee [illegible]
sion in the [illegible] the number of vehicles is accepted, [illegible] procedure in force, precise details of design are not determined. These come up to the Board later for scrutiny. This takes time as improvements are constantly being aimed at [illegible]
construction of underframes [illegible]
and expenditure thereon, [illegible]
the whole vehicle, is plac[illegible] may take some time to clear, but [illegible] cases under discussion, the railway administrations on their own initiative after the sanction to the rolling stock programme had been conveyed had with a view to the better utilization of rolling stock and also to meeting more fully what,

grants on a much larger scale than in previous years due to the extensive measures of economy put into force after the budget was framed. The Committee agreed that this was an important factor that would have to be taken into consideration in assessing the accuracy of the budgeting under practically all Grants.

27. *Map Accounts.*—In connection with the note (Appendix VIII) submitted with reference to item 4 of last year's recommendations (*vide* Appendix I), regarding the possibility of reducing the number of superseded maps of the Map Record and Issue Office of the Survey of India, it was stated that the question had been examined in consultation with the Surveyor General. While it would be fallacious to regard the loss on superseded maps as equivalent to their face value, it was also uneconomical to print too few copies in an edition as this might necessitate incurring heavy expenditure on a reprint. The number of copies superseded in 1938-39 had been only half the number superseded in the previous year and the out-of-pocket loss on these copies was less than 5 per cent. of their face value. But with a view to making maps more up-to-date and to increase their sales, it was stated that the Survey of India would in future be re-issuing maps more frequently, which would involve a steady increase in the number of different maps superseded. The Committee accepted the argument that a large factor of safety had to be allowed to avoid the risk of premature exhaustion of stock and noted the assurance given that every effort would be made to prevent avoidable loss through supersession.

28. *Mathematical Instrument Office.*—In connection with item No 1 of last year's recommendations regarding the manufacture by the Mathematical Instruments Office of articles required by the Army, it was stated that with the outbreak of war the position had completely changed now that both the Army workshops and the M. I. O were working to capacity. The Committee agreed that there was no need to pursue the matter further for the present.

29. *Botanical Survey.*—The report (Appendix IX), regarding the question of the retention of the post of the Director of Botanical Survey was considered by the Committee, who accepted the decision reached as meeting their wishes

30. *Grant No 37 Other Scientific Departments.*—The note on the Bose Research Institute, Calcutta (Appendix X) submitted with reference to item No 5 of the statement of recommendations made in the previous year, was next considered The Committee were glad to note that the main requirements of their previous recommendation were now satisfied as audited accounts were now being received regularly from the Bose Research Institute However on the suggestion of the Auditor-General the Committee desired that in future the copy of the accounts and the audit certificate received from the Institute should be shown to the Accountant-General, Central Revenues, for his inspection

31 *Grant No. 41. Agriculture.*—With reference to item 3 of the statement of recommendations made in the previous year it was stated that the scheme for the establishment of a Central Dairy Research Institute had been accepted by the Government of India in principle and would be undertaken when funds permitted. The Wellington Milk Depot had been closed on termination of the contract with the Army authorities and was retained only on a care and maintenance basis pending final disposal.

Proceedings of the 4th meeting of the Public Accounts Committee held on Monday, the 19th August, 1940 at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member. — *Chairman.*

MOULVI MOHAMMAD ABDUL GHANI.
Mr. MOHAMED AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir SYED RAZA ALI.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E. — *Members.*

Mr. J. D. TYSON, C.B.E., I.C.S., Secretary, Education, Health and Lands Department.
Mr. G. S. BOZMAN, C.I.E., I.C.S., Joint Secretary, Education, Health and Lands Department.
Mr. S. BASU, I.C.S., Secretary, Imperial Council of Agricultural Research.
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Secretary, Finance Department. — *Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S. Deputy Auditor General of India.

Mr. P. M. RAU, Accountant General, Central Revenues.

32. As this was the last occasion Sir Ernest Burdon would be present at their meetings the Committee desired to place on record their appreciation of the extremely valuable assistance and advice rendered to the Public Accounts Committee by Sir Ernest Burdon throughout his term of office as Auditor-General. As expressed on their behalf by the Chairman and endorsed by Mr. Ramsay Scott and Sir Raza Ali, the Committee thanked Sir Ernest Burdon for the great interest he had taken in their work and the valuable assistance that he had given them during his long association with the Public Accounts Committee.

33. *Grant No. 35.—Archæology.*—Reverting to this Grant, a member enquired into the action taken on the report of Sir Leonard Woolley on the administration of the Archæological Department. It was stated that the Government of India had as yet taken no decision on the recommendations made by Sir Leonard Woolley and the Committee desired that they might be supplied with a note next year on the question of the possible savings involved in one of the alternatives proposed in the report.

34. *Grant No 45.—Civil Veterinary Services*—Attention was drawn to the large decrease in the net profit on the working of the Biological Products Section of the Imperial Veterinary Research Institute, Izatnagar. It was explained that the object of the section is to provide a reliable supply of serum at cost and that except in the case of orders from abroad, which are small in comparison to the total issues, the selling rate is based on the cost of production Further in the year under review the difference between the reduced selling rate and the cost of production of the stocks carried forward from the previous year was very small. However the fact that there was a substantial net profit on the year was satisfactory and there was no objection on financial grounds

35. *Grant No. 55.—Emigration—External*—Reference was made to the additional appropriation under A. 1 Pay of Officers—non-voted, due to the appointment of a non-voted officer in place of a voted officer as Agent-General in South Africa. The Committee realised that it was not within the scope of their functions to make a recommendation as regards the policy of filling this post, but desired to recommend that if at the time of framing the budget it is not known whether a particular post will be held during the budget year by an officer whose salary is voted or non-voted, provision should be made under a voted head if the post is one which is usually held by an officer whose salary is voted

36. *Grant No 71.—Andamans and Nicobar Islands.*—With reference to the financial review of the working of the Forest Department, Andamans, given in paragraphs 158—171 of the Commercial Appendix, the Committee noted with gratification that the accounts for 1938-39 showed a substantial profit representing a return of 18·2 per cent on the average capital invested and that the year's working had been satisfactory

37 *Grant No. 75.—Capital Outlay on schemes of Agricultural Improvement and Research*—The Committee noted with satisfaction that the total expenditure incurred on the removal of the Imperial Institute of Agricultural Research from Pusa to the Delhi Province, now completed, had been Rs 32,78,000 against the Project Estimate of Rs 36 lakhs

38. The Committee next took up consideration of the portions of the Appropriation Accounts and Audit Report for which the Finance Department was responsible and at the point Sir Ernest Burdon vacated his seat in favour of his successor, Mr Badenoch

It was noted that though savings had occurred in 73 out of 76 voted grants, this was mainly due to the economy measures adopted after the budget was framed As a result of the instructions issued for a 10 per cent cut in contingencies, the non-filling of vacancies unless essential and postponement where possible of sanctioned works and with the willing assistance of the administrative Departments concerned a saving of Rs 1¼ crores had been achieved in mid-year out of the restricted field of retrenchment which was in practice limited to Rs 15½ crores It was also noted that while there were only three cases of excesses over voted grants as compared with eleven in the previous year, in none of the cases where supplementary grants were obtained was there any saving on the original grant. The Committee were gratified to note the comment of the Auditor-General that the statistics both as to the number and amount of the excesses showed there had been a considerable improvement over the results of the last four years and that as regards control over expenditure the improvement noticed last year had been generally maintained

39. *Leave and Deputation Salaries.*—Considerable discussion then took place on the note submitted by the Finance Department (Appendix XI) with reference to item 13 of the statement of previous recommendations as to whether the High Commissioner's estimates for leave salaries should be based on leave programmes or forecasts furnished to him from India as well as on past actuals. The difficulties involved were explained and it was stated that after consultation with the High Commissioner it had been decided not to make any change at present in the existing procedure. The Committee however while agreeing that it was impracticable to frame the estimates on the basis of leave programmes, considered that it should be possible to communicate the High Commissioner's estimates to the Departments concerned so that they could intimate any broad modifications that appeared to be required in the light of any knowledge in their possession as to the number of officers likely to be on leave. The Committee therefore desired that the matter should be pursued further in the light of this discussion and a report on the subject submitted to them next year.

The Committee then adjourned till 10-30 A.M. next day.

ceedings of the 5th meeting of the Public Accounts Committee held on Tuesday, the 20th August 1940 at 10-30 A.M.

PRESENT :

The Hon'ble SIR JEREMY RAISMAN, C S I, C I E, I C S, Finance Member — *Chairman*

MOULVI MOHAMMAD ABDUL GHANI
Mr. MOHAMED AZHAR ALI
Mr J RAMSAY SCOTT.
Sir SYED RAZA ALI
Dr. R D DALAL, C I E.
Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA
Khan Bahadur Sir ABDUL HAMID, C I.E, O.B E — *Members.*

The Hon'ble Mr C E JONES, C I E, I C S, Secretary, Finance Department
Sir P. R RAU, Additional Secretary, Finance Department.
Mr. J F. SHEEHY, C.S I, I.C S, Member, Central Board of Revenue.
Mr K. K. CHETTUR, First Secretary, Central Board of Revenue.
Mr A C. BADENOCH, C S I., C I.E, I.C.S Auditor General of India — *Witnesses.*

Mr P M RAU, Accountant General, Central Revenues

40. In connection with item 9 of the statement of recommendations made last year the Committee took into consideration the memorandum (Appendix XII) submitted by the Finance Department setting out their proposals for reducing the size of the compilation of Detailed Estimates and Demands for Grants It was explained that this compilation which together with its supplements at present covers 1,600 pages octavo, goes into far too much detail for the main purposes for which it is compiled and as owing to the war it is essential for Government to economise in the use of paper so far as possible, it is proposed to revise the structure of each demand as indicated in the memorandum The Auditor General stated that he was satisfied that the proposed revision would in no wise impair the control of the legislature over appropriations and that the revised Detailed Estimates and Demands for Grants would supply all the information required by audit. Certain members however were critical of introducing the proposed change at the present time, but on the assurance of the Finance Member that if after a year's trial the Committee found that any inconvenience or disadvantage had resulted from the change he would reconsider the matter, the Committee agreed that as a measure of war economy the experiment might be made for one year. The Committee on this understanding accepted the proposed revision of Demands in principle and agreed that the details should be worked out

in consultation with the Auditor General and a skeleton form of the final scheme circulated to the members of the Public Accounts Committee later.

41. With reference to item 15 of the statement of last year's recommendations that the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt, there should be a separate provision for amortisation of Railway debt, it was explained that the question would be duly considered before the first five year period under the Niemeyer Award expires on 31st March 1942 and that in any case it would have to be taken up during 1941-42 in connection with the future treatment of the Railway surplus with the expiry of the railway moratorium.

42. The Committee were informed that as recommended by them last year (item 17 of Appendix I) the question whether the Appropriation Accounts of the Crown Representative and the Audit Report thereon should be laid on the table of the Central Legislature had been re-examined and that there was no doubt about the legal position which was that under section 171 of the Government of India Act these Accounts had to be presented to the Secretary of State and could not be laid on the table. However the reports were being published and copies placed in the library of the House.

43. *Grant No. 23.—India Office and High Commissioner's Establishment charges.*—Comment was made that the Finance Department was responsible for dealing with the Appropriations under sub-head G.-Trade Department as this includes the provision for the Trade Commissioners who are the concern of the Commerce Department. It was explained that the actual control over expenditure was carried out by the High Commissioner in London but the Committee suggested that in future this sub-head should be entered under Commerce Department in the Key Statement.

44. *Grant No. 25.—Audit.*—With reference to the substantial savings secured under this Grant in furtherance of the economy campaign, it was explained that audit had been restricted for a limited period only. Full inspections had since been resumed and furthermore audit was now covering a good deal of the ground previously omitted owing to the temporary suspension of inspections.

45. *Grant No. 59.—Mint.*—The question was raised as to the method of disposal of the profits derived from the circulation of small coin. It was explained that in the past this profit had been taken to revenue, but that a proposal was under examination for the formation of a reserve fund from the profits in excess of an average figure with which to meet the loss on return of small coins in periods of trade depression.

The Committee approved of this course and desired to be informed of the action taken next year.

46. *Grant No. 78.—Commuted Value of Pensions.*—It was noted that with effect from 1st April 1938 the full amount of the commuted value of pensions in respect of services on Railways and in the Posts and Telegraphs Department is being met from the revenues of these two Departments direct instead of from General Revenues. As in the past General

Revenues had met the charge in the first instance and had then been re-paid by these Departments in equated annual instalments, the Committee were gratified that this improvement had been carried out.

47. *Grant No 1—Customs.*—Attention was drawn to the *pro-forma* account of the receipts and expenditure under the head "Overtime and Holiday Allowances", supplied in accordance with the recommendation made by the Committee last year (Item 18 of Appendix I) and the justification for the grant to Institutions was questioned in the light of the *minus* figure under Head "VI-Amount available for payment to Seamen's and Customs Welfare Institutions" out of penalty fees It was explained that as the receipts from penalty fees had fallen considerably due to the trade depression, thereby diminishing the margin available for distribution to Institutions, it had been decided in 1932 with the approval of the Standing Finance Committee that the sum to be distributed should not be reduced below a certain minimum, which was fixed at Rs 60,000. Further the correctness of including under expenditure payments of penalty fees on account of Crown overtime was under examination and if these were excluded the balance shown as available for payment to Institutions was likely to be a *plus* figure The Committee were content to leave the procedure as at present and to see the position disclosed by the revised statement next year

48 *Grant No. 2—Central Excise Duties*—The excess of Rs 1,14,751 disclosed under this Grant was explained as due to the fact that the ratio for the share of the cost of the combined Central Excise and Salt establishment to be transferred to Grant 2-Central Excise Duties had been fixed after the close of the year so that no funds could be provided to cover the excess The Committee decided to recommend that the excess should be regularised by a vote of the Legislative Assembly

49. *Grant No. 3.—Taxes on Income*—With reference to the figures for the receipts and expenditure of the Income-tax Department in recent years, it was stated that a Statistical Branch had now been formed and with the revision and simplification of the returns and their compilation by mechanical process it would make it easier to appraise more accurately the trend of income-tax revenues The Committee noted this development with satisfaction and hoped that it would lead to a more accurate estimating of income-tax receipts in future

The Committee adjourned till 10-30 A M next day.

Proceedings of the 6th meeting of the Public Accounts Committee held on Wednesday, the 21st August 1940 at 10-30 A.M.

PRESENT :

The Hon'ble Sir Jeremy Raisman, C.S.I., C.I.E., I.C.S., Finance Member. — *Chairman.*

Maulvi Muhammad Abdul Ghani.
Mr. Muhammad Azhar Ali.
Mr. J. Ramsay Scott.
Sir Syed Raza Ali.
Dr. R. D. Dalal, C.I.E.
Khan Bahadur Shaikh Fazl-i-Haq Piracha.
Khan Bahadur Sir Abdul Hamid, C.I.E., O.B.E.
— *Members.*

The Hon'ble Mr. S. N. Roy, C.S.I., C.I.E., I.C.S., Secretary, Communications Department.
Mr. A. D. Gorwala, I.C.S., Deputy Secretary, Communications Department.
Prof. A. S. Bokhari, Controller of Broadcasting in India.
Lt. Commander W. H. Watt, Director of Civil Aviation in India.
Mr. M. K. Sen Gupta, Financial Adviser, Communications.
Sir Gurunath Bewoor, C.I.E., I.C.S., Director-General, Posts and Telegraphs.
Mr. A. Brokenshaw, Chief Engineer, Posts and Telegraphs.
Mr. A. K. Roy, Assistant Financial Adviser, Communications.
— *Witnesses.*

Mr. A. C. Badenoch, C.S.I., C.I.E., I.C.S., Auditor General of India.
The Hon'ble Mr. C. E. Jones, C.I.E., I.C.S., Secretary, Finance Department.
Mr. P. M. Rau, Accountant General, Central Revenues.
Mr. M. Subramaniam, Accountant-General, Posts and Telegraphs.

53. Grant No. [illegible]—Aviation.—Attention was drawn to the large saving under sub-head P.1-Special Grants-in-Aid for Aviation purposes. It was explained that previously the unspent balance of the revenue realised from the additional tax on petrol consumed for aviation purposes had been carried forward from year to year in the original provision made under this sub-head without regard to the actual requirements.

But with effect from the accounts for 1939-40 a fund to accommodate the unspent balance of revenue had been opened, as recommended by the Public Accounts Committee in their Report on the accounts of 1936-37, and it is expected that such large variations would not occur in future

51 *Grant No 48—Capital Outlay on Civil Aviation charged to Revenue*—It was noted that the smallness of the saving that had occurred under this Grant was due to the provision of a lump deduction for probable savings made under sub-head "D", and it was stated that last year's recommendation (Item 21 of Appendix I) that the estimates should be framed on a more modest scale so as to correspond more closely with the actual achievement had been acted on in framing the budget estimates for 1940-41 under Demand No 47-Aviation with which this Demand had now been amalgamated

52 *Grant No. 49.—Broadcasting.*—With regard to the saving that had occured under this grant which worked out to 7·8 per cent. as against 9·26 per cent in the preceding year, it was explained that as a part of the economy campaign, the construction of the Dacca and Trichinopoly stations had been held back for 6 months and if the savings on account of this delay and the resumption of the lump provision of Rs 30,000 by the Finance Department were excluded, the net saving in the Grant worked out to only 1·3 per cent which was satisfactory in comparison with previous years.

53. *All India Radio.*—With reference to the recommendation made by the Committee last year (Item 22 of Appendix I) that every effort should be made to place the radio publications on a self-supporting basis, the steps taken by all-India Radio to secure more advertisements and to reduce the costs of production were explained and the Committee were glad to learn that as a result of these efforts the loss, which in 1938-39 was Rs. 1,15,000, had been reduced to only a little over Rs 6,000 in 1939-40

With regard to Anti-Piracy work it was stated that with the increase of staff appointed for the anti-piracy campaign in 1939, not only was there a considerable increase in the number of licenses issued but many more prosecutions were instituted, and at the same time with the requisite legal sanction it had been possible to compound a large number of cases detected by levying double the amount of the fee due The Committee expressed their approval of these measures and considered that while a number of convictions in selected cases had a valuable deterrent effect, the use of the provision for settling minor offences on payment of double fees in cases where warnings had previously been given was also most valuable.

54. *Vizagapatam Port*—As regards the disappointing financial result of the working of the Vizagapatam Port during 1938-39 it was stated that this was due to the marked decline in the exports of manganese ore in that year and that the position had since improved considerably so that after providing for depreciation, though not for interest, the loss on the working of the Port had been brought down from Rs. 3,23,000 in 1938-39 to close on Rs 45,000 in 1939-40 With regard to the previous recommendation of the Committee (Item 20 of Appendix I) that as the Port was unlikely to pay its way unless the Railway had a stake in its development, the question of handing over the Port to the Bengal Nagpur Railway

should be pursued, it was stated that the question was still under discussion with the Railway, though it was doubtful if they would accept liability for the interest on the capital invested. The Committee while endorsing their previous view that the Port and the branch line should be run together, desired that the question should be kept in view and a further report on the position submitted next year.

55. The Committee then examined the financial review of the working of the Posts and Telegraphs Department for the year 1938-39. It was noted that the surplus of approximately Rs. 19 lakhs had been utilised to pay off the accumulated losses which had resulted since 1927-28 and that at the end of the year there was only about Rs. 17 lakhs outstanding on this account. The Committee were glad to learn that the profits had continued to improve and that for 1939-40 they had reached the figure of Rs. 89½ lakhs, out of which the liability mentioned above had been finally paid off. As regards the loss on Telegraphs which had been over Rs. 37 lakhs in 1938-39, the Director-General, Posts and Telegraphs stated that this had been considerably reduced in the following year and that taking Telegraphs and Telephones together the position was now satisfactory. The Committee accepted the view that Telegraphs were a security service which could not be unduly restricted by the closure of all uneconomic offices and that the policy should be to see that taking both Telegraphs and Telephones there should be no loss on the working of the two branches together.

56. *Losses on Press Traffic.*—The Note (Appendix XIII) on the losses on Press Telegrams, submitted in connection with item No. 28 of the statement of recommendations made by the Committee last year was considered. It was explained that the complete abolition of the concession for multiple address press telegrams would impose a sudden and fairly heavy burden on the press so that a modified concession had been devised. But as the press had recently been subjected to extra charges in other ways, Government were reluctant to withdraw at this moment a concession enjoyed for many years and considered that the proposed modifications should not be introduced till conditions again became normal. In view of the present conditions, the Committee accepted the view that the existing charges should continue.

57. With reference to the Note (Appendix XIV) submitted in connection with item 31 of the statement of past recommendations, the Committee were informed that in future the Posts and Telegraphs Department would see that wherever practicable the views of the technical department are obtained before budget provision for works expenditure is made. When this is not possible due to any particular reasons, a part of the cost of the work based on previous experience of similar cases, would be provided in the budget with the approval of the Finance Department.

58. In considering the Memorandum (Appendix XV) submitted in connection with item 32 of last year's recommendations it was stated that the present practice of charging capital expenditure on post office buildings and vans to revenue is in consonance with the general policy of Government and has neither prevented the provision of the necessary funds not imposed any serious burden on Central Civil Revenues. Furthermore from the present year the expenditure on all postal buildings costing not

more than Rs 20,000 is being debited to Posts and Telegraphs revenues which will reduce the burden on Central Civil Revenues and will at the same time relieve the Posts and Telegraphs Department of the liability of meeting interest charges on these amounts. As in the opinion of the Auditor General the present practice was sound, the Committee agreed that no change was required

59 *Renewals Reserve Fund* —The Committee were informed that the question of the annual contribution to the Renewals Reserve Fund had been reviewed, and that as explained in the Memorandum (Appendix XVI) furnished by the Director General, Posts and Telegraphs, it had been decided in concurrence with the Auditor General that the annual contribution should be fixed at Rs 25 lakhs per annum for the next five years. It was considered that this amount would provide for all expenditure on renewals and replacements and would also leave a sufficient margin for additions to the reserve so as to provide for the increasing capital of the Department

60 *Grant No. 73-A* —With regard to the excess of Rs 1,84,697 over the nominal Grant of Rs 1,000 that had occurred under this Demand, it was explained that as the net amount required for the transactions under Stores Suspense and Manufacture Suspense Accounts had been estimated at a *minus* sum representing a reduction of stock, a nominal grant of Rs 1,000 had been voted under the new Demand No 73-A created for this purpose. In the event however due to heavier receipts from out stations as well as the issue of fewer stores, there was a net increase of Rs. 1,85,697. This was the final result of numerous small receipts and issues, which it was most difficult to forecast and there was no defect in the procedure for dealing with these transactions under Stores Suspense which had the approval of the Auditor General. The Committee decided to recommend that the excess be regularised by a vote of the Legislative Assembly.

The Committee adjourned till 10-30 A.M next day

Proceedings of the 7th meeting of the Public Accounts Committee held on Thursday, the 22nd August 1940, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member. — *Chairman.*

Moulvi MOHAMMAD ABDUL GHANI.
Mr. MOHAMMAD AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir SYED RAZA ALI.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur SHAIKH FAZLI-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
— *Members.*

Sir GURUNATH BEWOOR, C.I.E., I.C.S., Director-General, Posts and Telegraphs.
Mr. A. BROKENSHAW, Chief Engineer, Posts and Telegraphs.
Mr. M. K. SEN GUPTA, Financial Adviser, Communications.
Mr. A. K. ROY, Assistant Financial Adviser, Communications.
Sir RICHARD TOTTENHAM, C.S.I., C.I.E., I.C.S., Additional Secretary, Home Department.
Mr. JOSSLEYN HENNESSY, Principal Information Officer.
Mr. P. A. MENON, I.C.S., Deputy Secretary, Home Department.
Mr. MUKANDLAL CHOPRA, Representing the Delhi Administration.
— *Witnesses.*

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.
Mr. M. SUBRAMANIAM, Accountant-General, Posts and Telegraphs.
Mr. P. M. RAU, Accountant-General, Central Revenues.

61. *Financial Irregularities.*—During the examination of the financial irregularities mentioned in the Audit Report on the Posts and Telegraphs Appropriation Accounts, it was noticed that there had been a decrease in the total amount of Savings Bank frauds committed during the year under report as compared with the previous year and it was hoped that as a result of the changes in procedure introduced on the recommendation of the Special Officers appointed in 1938 to propose measures for the prevention of frauds in connection with Savings Bank and Cash Certificate transactions such frauds would be minimised in future.

In connection with the defalcation of over Rs 50,000 by the Treasury Contractor of a General Post Office, it was stated that the Contractor had been convicted and his security forfeited and that the question of any defect in the rules which might have facilitated the defalcation had been examined and several departmental rules had been amended With regard however to the responsibility of the departmental officials concerned, audit considered there was a tendency for undue delay in starting departmental proceedings and coming to a decision about writing off the loss. The Director General, Posts and Telegraphs stated that he had already taken up the matter of the delay in framing charges in this case and though the departmental enquiry had had to be held up till the appeal had been disposed of and the necessary documents could be obtained from the Courts, he agreed that a certain delay had occurred and he had issued instructions to all administrative officers that special efforts should be made to see that there was no avoidable delay in such cases in future The Committee endorsed the view that it was most important that in cases of fraud or defalcation departmental proceedings as to the responsibility of the officials concerned should be started as soon as possible and they agreed with the Auditor General that in most instances the departmental enquiry should be instituted before the Court proceedings and where one official is being prosecuted the cases against the others involved should be kept ready for being taken up immediately the Court has come to a final decision

62. *Publication of the Shipping Gazette*—With regard to the financial justification for the publications of the Hooghly River Shipping Gazette the Committee, while agreeing that this did not form part of the legitimate functions of the Posts and Telegraphs Department and was definitely the business of the Port Commissioners, were glad to learn that publication of the Gazette had in fact been discontinued by the Department with effect from 1st July 1910 and that this was now being undertaken by the Port Trust Commissioners

63 With reference to Grant 10—Sub-head G—Pensionary Charges, a member enquired whether there was any demand for a provident fund in place of pensions. It was stated that while the general demand was for both pensions and provident fund, the matter had been considered very carefully and it had been found that there was no scope for a compulsory provident fund without unduly cutting down pensionary benefits There was however the general provident fund and also an attractive Postal Insurance scheme open to all Post Office employees, while at present interest rates a Government servant on retirement at 55 can commute half his pension into a lump sum payment equal to approximately 13 years purchase

64 As regards the case reported at serial No 33 of the list of losses written off of an ex-gratia payment of interest on Post Office Cash Certificates held in excess of the prescribed limit, the Committee was of the opinion that the payment of the interest on the additional sum invested need not be treated as an infructuous payment and such cases might in future be omitted from the list of losses

65. Attention was drawn to the large savings that had occurred under Grant No 73-Capital Outlay and the Committee while of the opinion that there was room for improvement in the original estimating,

In

expressed the hope that the more drastic lump sum cuts adopted in the present year's estimates would show an improved result.

66. *Surplus Stores.*—With regard to the balance of surplus stores, it was considered that the limit at present prescribed was too low and the Committee desired to recommend that the question of increasing the limit so as to avoid giving rise to an apparent irregularity should be considered

67. *Grant No 15.—Home Department.*—With reference to the saving that had occurred in this Grant under Sub-head C. 4-Secret Service Contingencies, it was explained that this was mainly due to special economy measures and that acting on the recommendations made by the Committee last year, a lump sum reduction of Rs. 58,000 had been made in the estimates for 1929-30 under this sub-head.

68. *Grant No 57—Census.*—In connection with the small excess that had occurred under this Grant it was explained that this was mainly due to leave salary adjustments on account of officers who had been loaned for duty in the Census of 1931 An expenditure of only Rs 619 had been incurred in 1928-29 on preliminary work connected with the Census to be held in 1931 The Committee agreed to recommend the regularisation of the excess by a vote of the Assembly.

69. *Grant No 68.—Delhi.*—A member drew attention to the savings that had occurred under Account VII —Medical—B-1.—Hospitals and Dispensaries, Contingencies. It was explained that the saving was due partly to the economy measures enforced that year and partly to the fact that as the Irwin Hospital was new, it was difficult to make an accurate estimate of the number of patients that were likely to be treated and the amount of medicine they would require

The Committee adjourned till 10-30 A.M. next day.

Proceedings of the 8th meeting of the Public Accounts Committee held on Friday, the 23rd August 1940, at 10-30 A.M.

PRESENT.

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, — *Chairman*

Moulvi MOHAMMAD ABDUL GHANI
Mr. MOHAMMAD AZHAR ALI
Mr. J. RAMSAY SCOTT
Sir SYED RAZA ALI
Dr R. D. DALAL, C.I.E.
Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E. — *Members*

Mr. O. K. CAROE, C.I.E., Secretary, External Affairs Department
Mr. V. B. ARTE, Under Secretary, External Affairs Department
Mr H. C. PRIOR, C.I.E., I.C.S., Additional Secretary, Commerce Department
Mr. N. R. PILLAY, C.I.E., C.B.E., I.C.S., Joint Secretary, Commerce Department.
Mr GHULAM MOHAMMAD, Chief Controller, Indian Stores Department. — *Witnesses*

Mr A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India
Hon'ble Mr C. E. JONES, C.I.E., I.C.S., Finance Secretary.
Mr P. M. RAU, Accountant-General, Central Revenues

70. *Agency buildings at Bahrain*.—With reference to the work of installing water borne sanitation in the Agency building at Bahrain, which has been put in hand by the Resident without waiting for sanction and for which an *ex-post facto* sanction had had to be accorded, it was explained that administrative approval for the work had been accorded in the previous year provided funds could be found and that in the year in question the work was to have been carried out if the money originally provided had not been withdrawn on account of the economy campaign. However though the work was of great urgency it was admitted that the procedure adopted was highly irregular and strong departmental disapproval had already been expressed. The Committee while considering that there were certain mitigating features in the case desired to express their disapproval of the action taken by the officer in question.

71. *Tribal Areas*.—In examining the review of the works expenditure under this head, the Committee was gratified to note the comment of the

Audit authorities that the watch over expenditure had been satisfactory and that taking into account the special economy measures the original provision had been fairly precisely estimated.

72. *External Affairs.*—In connection with item No. 27 of the statement of recommendations made by them last year, the Committee were informed that the Government of India had set forth their views on the incidence of Persian Gulf expenditure to His Majesty's Government, whose reply was now awaited. It was desired that a further report on the question should be furnished to the Committee next year.

73. *Baluchistan.*—It was noticed that the progress on the reconstruction of Quetta had been slower than originally anticipated, the expenditure to the end of 1938-39 having been approximately Rs. 20 lakhs out of a total estimate of Rs. 67 lakhs. The Committee were however glad to learn that the discussion as to the best form of anti-earthquake structure had yielded valuable economies and had brought about a large reduction in the cost of construction.

74. *Grant No. 28.—Ports and Pilotage.*—Attention was drawn to the decrease in the surplus from the Bengal Pilot Service and it was explained that this was due to the revision in the scale of pilotage fees, as the number of vessels that visited and departed from the Port during 1938-39 was greater than in the previous year.

75. With reference to item No. 34 of the statement of past recommendations, it was stated that after careful consideration it had been decided that the Depreciation Reserve Fund for the Bengal Pilot Service would have to be maintained but that contributions to the Heavy Repairs Reserve Fund could cease. Contributions to this latter Fund had accordingly been discontinued.

76. *Grant No. 29.—Lighthouses and Lightships.*—It was noted that the net receipts from the Lighthouses and Lightships Department had come to Rs. 9,24,343 in 1938-39, against which the total revenue expenditure including contribution to the Depreciation Reserve Fund had amounted to Rs. 6,99,903. While the abolition of the Additions and Replacements Reserve Fund, the accumulated balance of which had been merged in the General Reserve Fund, had been mainly responsible for the increase in the surplus by the amount of the previous contribution, the financial result of the year's working was considered to be extremely satisfactory.

77. *Grant No. 51.—Indian Stores Department.*—With reference to the report (Appendix XVII) submitted in connection with item 33 of the statement of recommendations made by the Committee last year, it was stated that Sir James Pitkeathly, the then Chief Controller of Stores, who had been deputed to make a detailed examination of the London Store Department, had come to the conclusion that the amalgamation of the India Store Department, London, with the Stores Department in India was impracticable. The High Commissioner for India and the Director General, India Store Department, London, who had been consulted in the matter, had also expressed the same view, and after careful consideration the Government of India had decided that the present arrangement should continue.

78. *Grant No. 57.—Miscellaneous Departments.*—The Committee examined the income and expenditure account of the scheme for the registration of Accountants and with reference to the suggestion made by them last year (Item 37 of Appendix I) they were glad to note that the deficit on the working for 1938-39 had been reduced considerably as compared with the previous year and that it was the definite policy that the scheme should be placed on a self-supporting basis in the near future.

The Committee then adjourned till 10-30 A.M. on August 27th.

Proceedings of the [illegible] meeting of the Public Accounts Committee held on Tuesday, the [illegible] August [illegible], at [illegible] A.M.

PRESENT :

The Hon'ble Sir [illegible], K.C.B., C.I.E., Finance Member.	*Chairman.*
[illegible]	*Members.*
Mr. [illegible] Scott.	
Sir Syed Raza Ali.	
Dr. R. D. Dalal, C.I.E.	
Khan Bahadur [illegible]	
Khan Bahadur [illegible], C.I.E., O.B.E.	
Sir [illegible], C.S.I., C.I.E., I.C.S., Secretary, Legislative Department.	*Witnesses.*
Khan Bahadur [illegible], Secretary, Legislative Assembly Department.	
Mr. [illegible], C.B.E., I.C.S., Secretary, Defence Department.	
Mr. A. C. [illegible], C.S.I., C.I.E., I.C.S., Auditor-General of India.	
Mr. P. K. [illegible], Accountant-General, Central Revenues.	

52. The Appropriation Accounts relating to the Legislative Department, the Legislative Assembly Department and the Defence Department were examined.

In connection with the Legislative Department the Committee were informed that India's contribution towards the expenses of the League of Nations had been paid for the current year on the reduced basis of [illegible] units out of a total of [illegible], as fixed in pursuance of the recommendations of the Allocation Committee of [illegible], and that it appeared reasonable to anticipate that with the recent reduction in the staff of the League Secretariat the total expenditure and consequently the share to be paid by India would be considerably reduced next year. Some members desired to record their view that, having regard to the small measure of benefit which, in their opinion, was obtained by this country, India's contribution to the League should not exceed Rs. 2 lakhs.

53. *Grant No. 14—Legislative Assembly and Legislative Assembly Department.*—The small excess that had occurred in the voted section of this grant after a supplementary grant of Rs. [illegible] had been obtained on account of the convening of a special session was explained as due to the fact that some Legislative Assembly members' bills which were prepared during the later part of March [illegible] had, contrary to expectations, been paid in that month instead of in April [illegible]. The Committee decided to recommend that the excess should be regularised by a vote of the Legislative Assembly.

81. *Defence Department*.—The reappearance of the Appropriation for the Defence Department Secretariat in the Civil Estimates, while in the previous year the funds required had been allotted under the Appropriation "Defence Services", was stated to be due to the decision to revert, with effect from 1938-39, to the old form of presenting the expenditure in the Books of Demands under a separate Grant for the Defence Department in the Civil Estimates.

The Committee went through the Appropriation Accounts of the Secretariat Staff of the Governor General and of the Principal Supply Officers Committee and decided that there were no questions on which they desired to examine the Secretary to the Governor General (Public) and the Secretary to the Governor General (Defence Co-ordination).

The draft report of the Military Accounts Committee was then considered and adopted by the Committee.

The Committee adjourned till 2.30 P.M. next day.

Proceedings of the 10th meeting of the Public Accounts Committee held on Wednesday, the 28th August 1940, at 2-30 P.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member.	*Chairman.*
Moulvi MOHAMMAD ABDUL GHANI.	*Members.*
Mr. MOHAMMAD AZHAR ALI.	
Mr. J. RAMSAY SCOTT.	
Sir SYED RAZA ALI.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA.	
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	
The Hon'ble Mr. M. S. A. HYDARI, C.I.E., I.C.S., Secretary, Labour Department.	*Witnesses.*
Mr. S. H. ZAHEER, I.C.S., Additional Deputy Secretary, Labour Department.	

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Secretary, Finance Department.

Mr. P. M. RAU, Accountant-General, Central Revenues.

82. *Grant No. 60.—Civil Works.—Review of Works Expenditure.*—A detailed examination of the actual expenditure as against the original provision for works confirmed the observations of audit that the bulk of the saving on the original provision, both in the case of the non-voted Appropriation and the voted Grant, was due to retrenchment and economy in expenditure undertaken on account of the financial stringency and to the consequent postponement or abandonment of works. It was explained that though the usual features of previous years, such as late starting of works due to delay in land acquisition or non-completion of preliminary formalities, had continued to operate, the major part of the savings was due to deliberate decisions taken as part of the economy campaign and though a supplementary list of works in contemplation, from which selected works could in the ordinary way have been financed from savings from budgeted works, had been appended to the budget estimates, none of these works could be undertaken during the year owing to the financial stringency. Some criticism was however expressed as to the particular works selected for postponement, such as the extension and improvement to the Pilgrims Camp at Karachi, though it was pointed out that the work had been resumed in the following year.

83. Attention was drawn to the large re-appropriations for minor works by transfer from sub-head D.-Reserve with Local Governments and it was stated that now that the Central Works in Madras, Bombay,

Bengal, Bihar and Sind had been taken over by the Central Public Works Department from 1st April 1940 it was expected that there would be less need for utilising this system of transfers from reserve

84 In connection with this reorganisation the Committee considered the report (Appendix XVIII) submitted in connection with item 23 of the statement of last year's recommendations, describing the re-distribution of the work and staff of the Central Public Works Department It was noted that excluding the Famine Division there were now 14 divisions as against 16 in 1938 as the Delhi Aviation Division and the Special Division No. II had been abolished and that the total economies expected as a result of the changes effected were estimated at approximately Rs 90,000 per annum

85 With reference to the instances of uncovered excesses, which appeared to indicate defective estimating and control, it was stated that the majority of these were on account of the deduction of establishment charges which were mainly due to the *pro-rata* system of distribution When works in the Provinces were carried out through the agency of the Provincial Governments or the Defence Department the total expenditure on account of establishment charges was distributed on the basis of the actual outlay of the year. This *pro-rata* share varies with the actual works expenditure and cannot be accurately estimated until the work charges for the year are definitely ascertained It was this difficulty in estimating that was mainly responsible for the variations noted.

86 The Committee noticed that the *pro-forma* account of the Central P. W. D. nursery at Jurbagh, New Delhi, for 1938-39 showed a loss of Rs 5,872 against a profit of Rs 1,219 in the previous year This appeared to reveal an unsatisfactory tendency and the Committee desired that the position should be carefully watched to see that there was no such deterioration in the nursery as to affect its financial position

87 *Grant No 63—Stationery and Printing*—In connection with item 26 of last year's recommendations it was stated that the desirability of having cost accounts for each item of work in order to facilitate the pricing of Government publications had been duly examined The printing expenditure under each item of work is scrutinised annually in accordance with the cost accounting system already in force and the actual cost of production plus an addition of 60 per cent to cover agents' commission, postage, packing, etc., is divided by the total number of copies printed In view of this the Committee agreed that an examination of the detailed expenditure under each of the various operations involved was unnecessary

88 Attention was drawn to the large increase in the original provision for the purchase of paper during the course of the year It was explained that this was largely due to the increased demands received from Provincial Governments and the Defence Department which was reflected in the larger recoveries made that year For the information of a member it was stated that the value of paper purchased abroad had gone down from Rs. 9½ lakhs in 1925-26 to less than Rs 1½ lakhs in 1938-39, while the purchases of paper manufactured in India had increased in the same period from Rs 36 lakhs to close on Rs 45 lakhs

89. In connection with the suggestion made last year (item 25 of Appendix I) that a procedure should be laid down for limiting the number of copies of Government publications printed, it was stated that all print orders of publications are scrutinised by the Manager of Publications who fixes the number of copies to be printed in consultation with the Department concerned. In the case however of scientific and technical publications, the Central Publication Branch makes a special scrutiny and has been able, with the concurrence of the Departments concerned, to curtail substantially the number of copies printed. The Committee expressed their approval of the action taken and trusted its effect would be apparent in future years.

This concluded the examination of the Accounts and the Committee then adjourned till 11-30 A.M. on August 31st when the draft Report was to be considered for adoption.

Report of the Military Accounts Committee, 1940

We are appointed in pursuance of the recommendation made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1929 30 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents We have been assisted in this work by the Auditor-General, the Defence Secretary, the Financial Adviser, Military Finance, and the Military Accountant-General The results of our examination are, as usual, embodied in the proceedings of our meetings which we desire to be treated as a part of our report The following paragraphs deal only with some of the more important points

2. *Revision of Regulations*—Though there has been some dislocation in the work of revising the Army Regulations owing to the outbreak of war, we are glad to note the substantial progress that has been made during the year when the Pension and Passage Regulations have been finally revised and reprinted and the revision of the remaining Regulations has been put in hand so far as this is possible in present circumstances We have also been glad to learn that the revised arrangement referred to last year under which the work of revision was to be carried out with the active participation of the Director of Audit, Defence Services, was duly introduced and has worked satisfactorily

3 *Expenditure of the Military Engineer Services*—We are glad to note the continued improvement in the budgeting for works expenditure that has been brought about by the system of lump sum cuts and that, as desired by us last year, the tendency to over-estimate the cost of works, which has again been apparent in the majority of cases dealt with in the Appropriation Accounts this year, has been brought to the special notice of the authorities concerned For, our conclusion after examining variations between the year's expenditure and the original Appropriations for individual works, was that while the defects underlying the variations in question were not so marked as in previous years they still persisted to a degree which could be improved upon These variations were mainly attributed to the system of financing a programme of works then in force under which an interval of more than a year obtained between the according of administrative approval to a work and its commencement While for the period of the war when only urgent works will be carried out for which sanction is to be accorded on an approximate estimate, the matter may be considered to have lost its immediate practical interest, we hope that it will be possible for the question of devising a revised system of framing estimates on the lines of that adopted in England to be considered further in due course

4 A number of questions previously pending have as might be expected ceased for the time being to be of any practical importance. Thus with the great reduction in the number of heads included in the Budget Estimates for defence expenditure consequent on the agreement for the allocation of this expenditure between His Majesty's Government and the Government of India, the proposals for the simplification of headings in the Defence Budget are shelved Again, as the Defence Reserve Fund will cease to be operated on for the duration of the financial settlement with His Majesty's Government, the question of its continuance is no longer at issue. We also realise that for the period of war the scope

for the introduction of improved schemes of accounting arrangements will be strictly limited and are content that as certified by audit the standard of general financial administration is being maintained at its recent high level.

5. We desire to place on record our indebtedness to Sir Ernest Burdon, the late Auditor-General, for the valuable assistance given to us in our examination of the accounts.

A. J. RAISMAN.
M. ABDUL GHANI.
M. AZHAR ALI.
C. E. JONES.

H. A. C. GILL,
Secretary.
The 31st August, 1940.

Proceedings of the first meeting of the Military Accounts Committee held on Monday, the 12th August 1940, at 11 A.M

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C S I, C.I E, I.C.S, Finance Member,	*Chairman.*
Moulvi MUHAMMAD ABDUL GHANI.	*Members.*
Mr. MOHAMMAD AZHAR ALI	
The Hon'ble Mr. C. E. JONES, C.I E., I C S, Finance Secretary.	
Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.	*Witnesses.*
Mr. E. T. COATES, C.I E., I.C S, Financial Adviser, Military Finance.	
Mr. M R. COBURN, O B E, Addl Financial Adviser, Military Finance	
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.	
Mr. J. PARLBY, O.B.E., Military Accountant-General.	
Sir ERNEST BURDON, K.C I.E, C.S.I., I C S, Auditor General.	
Mr. C. V. S. RAO, Director of Audit, Defence Services.	

At the outset of the proceedings the Chairman suggested that in the special circumstances existing this year when he and the majority of the witnesses were engaged in urgent work on account of the war, the Committee should sit only in the mornings starting at 10-30 A M. to enable the work to be completed by 1-30 P.M. This was agreed to by the Auditor-General and the members of the Committee It was also stated that one of the members, Captain Sirdar Sir Sher Mohammad Khan was engaged in military duties and would be unable to attend the meetings.

2. The Committee first considered the military items in the statement (Appendix I), showing action taken or proposed to be taken on the recommendations made by them in previous years.

3. *Item No. 38.—Allocation of Ecclesiastical Expenditure.*—With reference to the note (Appendix XIX) on this subject, it was stated that as soon as the method of apportioning pensionary charges had been settled in consultation with the Auditor-General, the rules would be completed. The Committee was glad to note the assurance of the Defence Secretary that it was almost certain that the revised allocation would be brought into operation, with effect from the next financial year

4. *Item No. 39—Revision of Army Regulations.*—With reference to the note (Appendix XX), submitted on this subject it was stated that despite the dislocation in the work of revising the Regulations caused by the outbreak of the war, real progress had been made The

Committee agreed that the results, especially considering the circumstances of the year, were satisfactory.

5. *Item No. 40.—Simplification of Budget headings.*—In considering the note (Appendix XXI) on this subject it was explained that for the period of war the Budget heads for defence expenditure have been greatly reduced and simplified and the Committee agreed that this was a question that at the moment was of no great urgency, though it might be pursued as far as present conditions permitted in order that the conclusions reached might be carried into effect after the war.

6. *Item No. 41.—Percentage of establishment charges in the Military Engineer Services.*—The Committee noted that according to paragraph 24 of the Audit Report the percentage of establishment charges to works expenditure for the year under review worked out at 20.3 as compared with the corresponding percentage of 15·6 in the Central Public Works Department. It was explained, however, that the Military Engineer Services has to deal with a large number of scattered projects, so that a fairer comparison would be with the Provincial Public Works Departments whose establishment percentage was far higher than that of the Central Public Works Department whose work was concentrated in a few areas. The Committee agreed that this was a relevant consideration which should be duly considered, but was of the opinion that the percentage of establishment charges was an important criterion to apply and that with the decentralisation of the work of the Central P. W. D. there would be material for a fairer comparison in future.

7. *Item No. 42.—Defence Reserve Fund.*—The Committee noted that for the currency of the financial settlement between India and His Majesty's Government, the Defence Reserve Fund would cease to be operated upon, so that the question of its justification had ceased for the time being to be of any practical importance.

8. *Item No. 43.—Review of the Organisation of the Medical Stores Department.*—The Defence Secretary explained that consideration of the main recommendations of the departmental committee that had examined the organisation of the Medical Stores Department had been deferred till after the war. Thus the proposal for a variable surcharge on the prime costs of various commodities designed to bring the charges made to public bodies in line with market prices was inapplicable at the present time. A certain amount of action was, however, being taken on the minor recommendations.

9. *Item No. 44*—The Financial Adviser, Military Finance stated that the question of reducing the margin included in works estimates of the M. E. S. for possible omissions and unforeseen items of expenditure was still under consideration and a note on the position reached would be supplied to the Committee. (Appendix XXII).

10. *Item No. 45.*—It was stated that instructions for recoveries on account of rent, water and electricity to be made within the time allowed had been issued and that as the money had to be collected on account of Bills presented to private individuals, it was a matter of executive vigilance to see that these instructions were complied with. The Committee expressed the view that this situation should continue to be watched.

11. *Item No. 48.—Disposal of surplus and obsolete Stores.*—The Committee considered the note (Appendix XXIII), submitted on this subject and noted the assurance given that whenever it is possible to sell stores by auction this is done and that sale by private treaty is adopted only when sale by auction or competitive tender is uneconomical.

The Committee then took up the consideration of the Report of the Director of Audit, Defence Services.

12 *Paragraph 8, read with paragraph 12.*—In examining the variations between the original appropriations and the actuals for the year 1938-39, it was noted that the net variation was small and was the result of the balancing of the excesses due to the various unforeseen demands that arose during the year and the savings brought about by the curtailment of expenditure. The Committee were accordingly gratified to note the remarks of the Director of Audit, Defence Services on the success achieved in keeping expenditure as a whole within the limits of the appropriation in the face of heavy and unforeseen demands.

13. *Paragraph 10*—The difficulties in estimating the cost of printing incurred by the Central Revision Section and the action taken by way of centralisation and the posting of a special estimator were explained by the Defence Secretary. The Committee trusted that the new arrangements which had been put into effect from 1st April 1940 would improve the estimating under the Heads in question

14 *Financial irregularities—Paragraphs 14 to 21*—The Committee examined the items mentioned in these paragraphs and agreed that the deterrent action taken in these cases had been appropriate In this connection the Auditor-General drew attention to paragraph 7 of the Prefatory Remarks where it was pointed out that the cases of financial irregularity represented only a small percentage of the total financial transactions of the year and that the comments on such cases must not be understood as conveying any general reflection on the administration of public expenditure The Committee were glad to note the general remark of the Director of Audit that the standard of financial administration had been maintained during the year at its recent high level

15 *Paragraph 31.*—With regard to certain faultily expressed rules and orders which were found to have conferred wider benefits than their framers had intended and which had now been amended, the Financial Adviser stated that the new organisation which had been set up for drafting Army Instructions was expected to minimise such errors in future.

Appropriation Accounts

16 *Paragraph 7.*—The Committee noted the action taken in view of the heavy unforeseen demands that seriously disturbed the budgetary position during the course of the year and endorsed the view that in so far as the modified appropriation could be considered as the criterion for judging the efficiency of financial control over expenditure a considerable measure of success had been attained.

The Committee adjourned till 10.30 A M next day

Proceedings of the 2nd meeting of the Military Accounts Committee held on Tuesday, the 13th August 1940, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member,	*Chairman.*
Moulvi MOHAMMAD ABDUL GHANI, M.L.A.	*Members.*
Mr. MOHAMMAD AZHAR ALI, M L.A.	
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.	
Mr. C. M G. OGILVIE, C.B.E., I.C.S. Secretary, Defence Department.	*Witnesses.*
Mr. E. T. COATES, C.I.E., I.C.S., Financial Adviser, Military Finance.	
Mr. M. R. COBURN, C.I.E., O.B.E., Additional Financial Adviser, Military Finance.	
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.	
Mr. J. PARLBY, O.B.E., Military Accountant-General.	
Mr. A. C. BADENOCH, C S.I., C.I.E., I.C.S., Deputy Auditor-General.	
Mr. C. V. S. RAO, Director of Audit. Defence Services.	

The Committee continued their examination of the Appropriation Accounts.

17. With regard to the variations between expenditure and original appropriation under Head I—Fighting Services the main increases were explained as due to the changes in pay and allowances sanctioned for British troops.

18. *Paragraph 66.*—With regard to the decrease in expenditure for Mechanical Transport Stores, it was explained that this was due to the disbandment of certain subsidised M. T. sections which were found to be both expensive to maintain in time of peace and unsuitable when required in time of war.

19. The Committee then examined at length the administration of the M. E. S. finances. It was noted with satisfaction that the net lapse in the year 1938-39, particularly in view of the policy of retrenchment then in force, as compared with the corresponding figures for the previous years, indicated a commendable improvement in budgeting and that the percentage of amounts spent during the year according to the original programme showed an improvement as compared with the previous year. The Committee, however, considered that it should be possible to bring the net lapse into a still smaller compass in future years now that the

system of applying a lump sum cut to the estimates had been introduced with effect from the budget for 1939-40

20. With reference to the statement given in Appendix H to the Appropriation Accounts showing cases of variations between the year's expenditure and the original appropriation for individual works, certain instances of underspending of allotments appeared to indicate that provision was at times included in the budget without sufficient certainty that the money would be spent in the year The Financial Adviser, Military Finance, however, explained the working of the present system under which budget provision for works was made on the basis of an estimate prepared three years previously and stated that while it was doubtful whether the introduction of a revised system was worth while in time of war, during this period a more rapid procedure would be in force which would eliminate the delay between preparation of the estimate and execution of the work which was the main cause of these variations The Committee while noting that the defects underlying the variations were not so marked as in previous years agreed that in view of the fact that a contract grant of Rs 3 crores was made available for the M. E S each year this implied a certain discretion as to alternative works and that these variations had not the same significance as with a grant which varied from year to year and which purported to be built up from a number of specific items

21 The Committee noted with satisfaction the comment in paragraph 93 that the low percentage which the objectionable outlay bore to the total expenditure indicated that the M E S authorities continued to take effective steps to ensure compliance with the basic conditions for controlling expenditure

22. With reference to the new standard schedule of rates brought into effect during 1938-39 it was stated that their adoption had had the effect of improving considerably the methods of payment for M E S works but that as experience has shown that the new schedules were defective in certain respects recompilation was being taken in hand As regards the serious irregularity that had occurred in connection with the printing of the new schedules whereby copies much in excess of actual requirements had been printed at a private press on unnecessarily high quality of paper at a greater cost than was justified, the Committee were glad to learn that there was no question of any deliberate dishonesty and that action had been taken that would ensure that such an irregularity would not occur again

23 With regard to the expenditure connected with the reconstruction of Quetta the Committee noted with satisfaction that the rates in the case of both the two lump sum contracts for Group XII and Group XIII entered into during the year were cheaper than those in previous similar contracts and approved of the administrative reasons on account of which one of these contracts had been given to the contractors for Group I at 12 per cent below their rates for that Group

24 *Appendix D*—The Committee examined with interest the statement showing details of important items of losses in stores and agreed that this was improved by the annotations included in the Appropriation Accounts for the first time this year

Commercial Appendix.

25. *Dairy Farms.*—Attention was drawn to the fact that the consolidated profit and loss account of the farms showed a large decrease in profit as compared with the previous year, and it was explained that while this was mainly due to the amalgamation of certain grass farms with dairy farms, the primary function of the Military Dairy Farms was to provide a reliable source of pure milk, butter and cream for the Army at those stations where such facilities were not available and that a large profit was not aimed at. Supplies were therefore sold at prices sufficient to cover expenses and the system was not extended to places where adequate and suitable private enterprise for the supply of milk, etc., already existed.

26. *Medical Stores Departments.*—It was noted that the net result of the working during the year of all the four depots showed a loss of approximately Rs. 2 lakhs and the Defence Secretary explained that this was the net cost after deducting receipts from civil sales which had to be paid for maintaining an organisation capable of supplying the Army in time of war with medical supplies up to the value of Rs. 40 lakhs. The Committee were glad to note that the cost of no drug manufactured in the factories during the year under review was in excess of the market rate and to learn that the educational effect of the orders given to private firms under the inspection and control of the factories since the outbreak of war was bringing about a great improvement in the trade in India.

APPENDIX I.

Statement showing action taken or proposed to be taken on recommendations made by the Central Public Accounts Committee.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Department of Education, Health and Lands.
1	1935-36 1936-37 1937-38	10-R. and 7-P. 1-P. 6-P.	That early steps should be taken to implement last year's recommendation regarding the manufacture by the Mathematical Instrument Office of articles required by the Army.
2	1935-36 1936-37 1937-38	8-P. 5-P. 7-P.	That a further report on the question of the necessity for retaining the post of Director of Botanical Survey should be submitted next year.
3	1936-37 1937-38	9-P. 11-P.	That the establishment of a Central Research Institute for dairy farm research should be expedited and the question of terminating the contract for the Wellington Milk Depot with the military authorities should be taken up independently.
4	1937-38	4-P.	That the possibility of reducing the number of superseded maps in the Map Record and Issue Office should be further examined and a note on the subject should be submitted next year.
5	1937-38	9-P.	That a report should be submitted to the Committee next year as to why the Bose Research Institute, Calcutta, should not be required to submit an audited account of its receipts and expenditure.
6	1937-38	9-P.	That the Corporation of Calcutta should be moved to exempt the Calcutta Museum from the municipal taxes and with this end in view the small charge for admission tickets to the Museum on certain days should be abolished.
7	1937-38	10-P.	That the Department of Education, Health and Lands should satisfy themselves whether non-provincial students get reasonable facilities in provincial institutions to which Central grants-in-aid are given.
8	1937-38	12-P.	That the annual reports of the Imperial Council of Agricultural Research should be circulated to the members of the Public Accounts Committee.
			Finance Department.
9	1935-36 1936-37 1937-38	5-R., 17-P. and 22-P. 4-R. and 20-P. 4-R. and 25-P.	That the result of the adoption of larger units of appropriation in certain Grants in the estimates for 1939-40 as an experimental measure to see if it would lead to more accurate estimating and to economy should be reported to the Committee in due course.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken
The position has changed since the outbreak of war and the Committee agreed that there was no need to pursue the matter further for the present
The Committee accepted the decision reached in the Report (Appendix IX) submitted on the subject
[illegible]
A note (Appendix VIII) was submitted to the Committee.
The note on the subject (Appendix X) was considered by the Committee.
The Executive Officer of the Calcutta Corporation has postponed consideration of the question of exemption as an appeal is pending in the Small Causes Court, Calcutta against the valuation for purposes of assessment. The Museum Trustees have been asked to request the Corporation again to consider the application for exemption
Steps have been taken, where necessary, to ensure that adequate facilities to non-provincial students are given by provincial institutions to which Central grants-in-aid are given
The reports are circulated to the Members of the Public Accounts Committee in their capacity as members of the Central Legislature
The Committee considered the memorandum (Appendix XII) submitted by the Finance Department setting out their proposals for reducing the size of the compilation of Detailed Estimates and Demands for Grants

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Finanace Department—contd.
10	1937-38	4-R. and 14-P.	That the Finance Department should make a note of large or progressively rising savings under particular heads so as to make suitable cuts in the next budget.
11	1937-38	4-R. and 13-P.	That where difficulties of recruitment are expected, the provision in the budget estimates should be subjected to a substantial cut for probable savings; and later on, if there is an excess on account of earlier recruitment than anticipated, there would be no objection to the submission of a supplementary demand to the Legislature.
12	1937-38	4-R. and 70-P.	That in the case of non-voted appropriations, as in the case of voted grants, the original appropriation also should be brought to notice, particularly when large additions are made by executive orders.
13	1937-38	5-R., 1-P. and 21-P.	That the Finance Department should examine whether the High Commissioner should not be asked to base his estimates for leave salaries on leave programmes or forecasts furnished to him from India, as well as on past actuals.
14	1937-38	6-R., 20-P. and 50-P.	That in view of the persistence of large savings in the provision for works expenditure, lump cuts should be applied more closely and rigorously in future at the time of budget estimates, especially in respect of new works, in order to counteract the tendency towards overbudgeting.
15	1937-38	9-R. and 29-P.	That the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt, there should not be a separate provision for amortisation of Railway debt, once the first quinquennium of the Niemeyer Award is over.
16	1937-38	3-P.	That the total gross and net savings under each grant should be analysed to indicate how much of the savings is due to larger receipts and how much is due to less expenditure.
17	1937-38	16-P.	That the legal position as regards the question whether the Appropriation Accounts of the Crown Representative and the Audit Report thereon should be laid on the table of the Central Legislature should be re-examined.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.
Noted.
Noted
Effect has been given to this recommendation in the Appropriation Accounts (Civil) for 1938-39.
The note (Appendix XI) submitted on the subject was considered by the Committee.
Noted.
The Committee were informed that the question will be taken up during 1941-42.
Effect has been given to the recommendation in the Appropriation Accounts (Civil) for 1939-39.
The question has been re-examined and the legal opinion is that the Accounts of the Crown Representative cannot be laid on the table of the Central Legislature

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Central Board of Revenue.
18	1937-38	34-P. . . .	That the note in the Appropriation Accounts under Grant No. 1-Customs regarding the overtime and Holiday Allowances should be expanded so as to include the information given in the explanatory note contained in the Detailed Estimates of Demands for Grants.
19	1937-38	36-P. . .	That a note similar to that under Customs, giving the statistics of receipts and net expenditure for the last five years should be produced under Grants No. 2-Central Excise Duties, No. 3-Taxes on Income including Corporation Tax, No. 4-Salt and No. 5-Opium.
			Cummunications Department.
20	1935-36 1936-37 1937-38	12-R. and 111-P. 8-R. and 41-P. 10-R. and 48-P.	That as the Port of Vizagapatam is likely to continue to be a burden on the general taxpayer unless the Railway has a stake in its development the question of handing over the Port to the Bengal Nagpur Railway should be actively pursued.
21	1937-38	44-P. . . .	That as the actual expenditure under Grant No. 48-Capital Outlay on Civil Aviation charged to Revenue has in the past fallen far short of the estimates, the estimates should in future be framed on a more modest scale so as to correspond more closely with the actual achievement.
22	1937-38	46-P . . .	That every effort should be made to place the radio publications on a self-supporting basis during 1939-40.
			Labour Department.
23	1935-36 1936-37 1937-38	6-R., 69-P. and 116-P. 43-P. 52-P.	That a further report be submitted next year on the question of the justification for the staff employed in the Central Public Works Department.
24	1936-37 1937-38	50-P. . . . 56-P.	That the result of the amalgamation of sub-heads under the Civil Works Grant in the budget estimates for 1939-40 should be reported to the Committee in due course.

recommendations made by the Central Public Accounts Committee

Action taken or proposed to be taken
In the Appropriation Accounts for 1938-39 the note has been expanded accordingly
A note on the lines desired by the Public Accounts Committee has been inserted under each of the Grants in the Appropriation Accounts for 1938-39
The Committee were informed that the question was under discussion. The Committee reiterated their previous recommendation and desired that a report should be submitted next year.
Noted. The Committee's recommendation has been borne in mind in framing the budget estimates for 1940-41 under Demand No. 47-Aviation with which Demand No. [illegible] Capital Outlay on Civil Aviation has been amalgamated
Intensive work has been done by All India [illegible] [illegible]
The Committee considered the Report (Appendix XVIII) submitted on the subject
Noted.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Labour Department.—contd.
25	1936-37 1937-38	54-P. . . . 61-P.	That the Labour Department should, in consultation with other Departments of the Government of India, lay down a procedure for limiting the number of copies of Government publications printed, especially in the case of technical and scientific publications, the demand for which is very limited.
26	1937-38	60-P. . . .	That the desirability of having the cost accounts for each item of work should be examined, with a view to facilitate the pricing of Government publications.
			External Affairs Department.
27	1929-30 1934-35 1935-36 1936-37 1937-38	114-P. . . . 27-P. 78-P. 60-P. 72-P	That a decision on the question of the incidence of Persian Gulf expenditure should be arrived at as soon as possible.
			Posts and Telegraphs.
28	1936-37 1937-38	10-R. and 76-P. 11-R. and 76-P.	That in view of the loss on the working of the Telegraph Branch as a whole, to which the issue of Press telegrams at concessional rate contributes in no small degree, the possibility of curtailing the concession in the case of multiple address Press telegrams should be examined.
29	1937-38	77-P. . . .	That in future two tables showing the percentage of working expenses to revenue should be prepared, one exclusive of interest and depreciation and the other inclusive of these charges.
30	1937-38	79-P. . .	That in future the estimates for Grant No. 73-"Capital Outlay on P. & T. not charged to Revenue" should be subjected to a really adequate and effective lump sum cut.
31	1937-38	79-P. . . .	That the budget provision for works expenditure should, as in the case of Civil Works, be made only after consultation with the technical department.

[Re]commendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken

[illegible]

The printing expenditure under each item of work [illegible] scrutinised annually in [illegible]

The Committee desired that a further report on the question should be furnished to them next year.

The Committee considered the memorandum (Appendix XIII) submitted on the subject and agreed that in view of the present conditions the existing concessions should continue

Necessary action has been taken.

Noted A substantial lump sum cut has been made in the estimates for the year 1940 41

The Committee considered the memorandum (Appendix XIV) submitted on the subject

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Post and Telegraphs.—contd.
32	1937-38	88-P. . . .	That the desirability of making provision under Grant "No. 73 Capital Outlay on Posts and Telegraphs not charged to Revenue" for capital expenditure on post office buildings which is accounted for under major head '21-Posts and Telegraphs—Capital Outlay charged to Revenue' and financed from Central Civil Revenues should be examined.
			Commerce Department.
33	1932-33 1933-34 1934-35 1935-36 1936-37 1937-38	31-P. . . . 14-R. 23-P. 62-P. 55-P. 90-P.	That the decision on the question of amalgamating the India Store Department in England with the Stores Department in India should be expedited and a report submitted to the Committee next year.
34	1936-37 1937-38	65-P. . . . 93-P.	That the final decision on the question of cessation of the annual contributions to the Heavy Repairs Reserve Fund and the Depreciation Reserve Fund for the Bengal Pilot Service should be reported to the Committee next year.
35	1937-38	91-P. . . .	That the necessity for maintaining the subsidiary accounts of the Indian Stores Department in their present form inclusive of *pro forma* credits from non-commercial departments should be re-examined and a report should be submitted to the Committee next year.
36	1937-38	94-P. . . .	That in order to know how far the expenditure on Ports and Pilotage was covered by the fe s received, a statement should in future be included in the Appropriation Accounts indicating the total receipts as against the expenditure under this head excluding the items relating to the "Dufferin' and the grant-in-aid to the Vizagapatam Port.
37	1937-38	96-P. . .	The scheme for the Registration of Accountants should be placed on a self-supporting basis in the near future.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken
The Committee considered the Report (Appendix V) submitted on the subject and agreed that no change was required in the present practice.
The Committee were informed of the decision that the amalgamation was not practicable (*vide* Appendix XVII).
The Committee were informed of the decision that the Depreciation Reserve Fund would have to be maintained but that contribution to the Heavy Repairs Reserve Fund would cease
It was decided that the question should not be pursued in the present circumstances.
A statement has been included in the Appropriation Accounts for 1938-39
The Committee were informed that the deficit had been considerably reduced in 1938-39 and it was the definite policy that the scheme should be placed on a self supporting basis in the near future.

Statement showing action taken or proposed to be taken on

Serial No	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Defence Services.
38	1926-27 1928-29 1929-30 1933-34 1934-35 1935-36 1936-37 1937-38	25-R. 91-P. 118-P. 36-P. 20-P. 57-P. 2-P (Mily.). 2-P (Mily.).	That every effort should be made to give effect to the revised allocation of Ecclesiastical expenditure in the budget for 1940-41.
39	1930-31 1931-32 1932-33 1933-34 1934-35 1935-36 1936-37 1937-38	1-R. 3-R. 2-P. 4-R. 3-R. and 2-P. 2-R. and 2-P. 2-R. and 3-P. 2-R. and 3-P. } M. A. C.	That a report on the progress made in the revision of Army Regulations should be submitted to the Committee next year.
40	1936-37 1937-38	4-R. and 15-P. 6-P. } M. A. C.	That a report should be submitted next year on the result of the reduction and simplification of budget headings referred to in the last sentence of the Financial Adviser's Memorandum on the processes of estimating now in force and suggestions for their improvement.
41	1936-37 1937-38	2-P. 4-R. and 7-P. } M. A. C.	That the Defence Department should make an endeavour to reduce the percentage of establishment charges in the Military Engineer Services by effecting further economies, and the ratio should be reported upon annually, clearly irrelevant factors being discounted and the calculation of the ratio being made on the same basis as that made by the Accountant General, Central Revenues in respect of Central Public Works Department Establishment Charges.
42	1936-37 1937-38	6-R. and 29-P. 6-R. and 9-P. } M. A. C.	That the justification for the continuance of the Defence Reserve Fund on the basis on which it has been maintained hitherto, appears to have ceased, and that the question of continuing any such device in future should require separate justification.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.
It has not been possible to give effect to the change in 1940-41, but every endeavour is being made to bring the revised allocation into operation with effect from 1941-42 (*vide* Appendix XIX)
The Committee considered the Report (Appendix XX) submitted on the subject and were of the opinion the progress made was satisfactory.
The Committee considered the note (Appendix XXI) submitted on the subject
This has been dealt with in para 91 of the Appropriation Accounts of Defence Services for the year 1938 39
Noted During the currency of the financial settlement between India and His Majesty's Government, the Defence Reserve Fund will cease to be operated upon

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.		Recommendations or suggestions.
43	1936-37 1937-38	53-P. 12-P.	M.A.C.	That a report should be submitted to the Committee on the results of the review of the present organisation of the Medical Stores Departments which is now under consideration by a departmental committee.
44	1937-38	5-R. 21-P.	M.A.C.	That the inclusion in works estimates of the Military Engineer Services of a substantial margin for possible omissions and unforeseen items of expenditure is to be deprecated and estimates should approximate more closely to actual requirements.
45	1937-38	21-P.	M.A.C.	That recoveries on account of rent, water and electricity should be made within the time allowed.
46	1937-38	21-P.	M.A.C.	That special efforts should be made to see that there is as little delay as possible in the payment of contractors' bills including their final bills.
47	1937-38	24-P.	M.A.C.	That the total number and total cost of works which have been postponed or abandoned as a result of military policy should be shown in Appendix I to the Appropriation Accounts along with the details of works over Rs. 50,000, the Director of Audit, Defence Services, drawing attention to any other cases which, in his opinion, require to be brought to the notice of the Public Accounts Committee.
48	1937-38	30-P.	M.A.C.	That any departure from the procedure of sales of surplus, obsolete and waste stores by auction should require special justification.
				Railways.
49	1934-35 1935-36 1936-37 1937-38	12-P. 9-R. and 26-P. 7-P. 5-P.	. . .	That a further report should be submitted next year on the results of the investigation into the utilization of reserved carriages maintained for the use of railway officers.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.
This has been dealt with in paragraph 28 of the Commercial Appendix to the Appropriation Accounts for the year 1938-39. The Committee were informed that the consideration of the main recommendations of the departmental committee had been deferred till after the war
A note (Appendix XXII) was supplied to the Committee.
The Committee were informed that necessary instructions had been issued. The Committee expressed the view that the situation should continue to be watched
Noted
Effect has been given to this recommendation in the Appropriation Accounts for 1938-39, *vide* Part C of Appendix II
The Committee considered the Report (Appendix XXIII) submittedd on the subject
A report was furnished to the Committee (Appendix II).

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.		Recommendations or suggestions.
43	1936-37 1937-38	53-P. 12-P.	M.A.C.	That a report should be submitted to the Committee on the results of the review of the present organisation of the Medical Stores Departments which is now under consideration by a departmental committee.
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				Railways.
49	1934-35 1935-36 1936-37 1937-38	12-P. 9-R. and 26-P. 7-P. 5-P.	. . .	That a further report should be submitted next year on the results of the investigation into the utilization of reserved carriages maintained for the use of railway officers.

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A note (Appendix XXII) was supplied to the Committee.
The Committee were informed that necessary instructions had been issued. The Committee expressed the view that the situation should continue to be watched.
Noted.
Effect has been given to this recommendation in the Appropriation Accounts for 1938-39, *vide* Part C of Appendix II.
The Committee considered the Report (Appendix XXIII) submitted on the subject.
A report was furnished to the Committee (Appendix II).

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Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Railways—contd.
50	1936-37 1937-38	7-R. . . 14-P. and 23-P. 5-R. and 10-P.	That it is essential that the conditions of service of the Accounts Staff of the North Western and Great Indian Peninsula Railways who have been placed under the control of General Manager as an experimental measure must be such that they should feel free to maintain a critical, though of course impartial, attitude both in financial cases and in the exercise of internal accounts check; and any arrangements which operate against this condition should be removed immediately. A final report on the result of the experiment should be submitted next year by the Auditor General, together with the conclusions of Government thereon, and that report should specify how far the Committee's recommendation in respect of the conditions of service of the Accounts staff is being implemented in actual practice.
51	1937-38	7-R. . . .	That the position of railway revenues is not free from anxiety and it is necessary to continue unremittingly the efforts to achieve a satisfactory result.
52	1937-38	8-R. . . . 35-P. and 41-P.	That in relaxation of the general principle that accounts classification should follow the budget, the rectification of important errors in classification in the following categories should not be left over till the next year, *viz.*, (*i*) adjustments between revenue, capital and depreciation fund, (*ii*) transactions which affect the revenue surplus payable to General Revenues and (*iii*) transactions regulated by contracts with Railway Companies. As regards the question whether the rectification of errors in these categories should be restricted to the transactions of the year in which the error is detected, or whether it should cover the transactions of earlier years also, each case should be judged on its own merits, but ordinarily, there should be no general re-opening of past accounts.
53	1937-38	9 -R. . . . and 43-P.	That the existing rules as regards the allocation between revenue and depreciation fund of expenditure written back from capital on account of abandoned projects should be re-examined in the light of correct accounting principles, and if a change in the rules is decided upon, the date from which effect will be given to the revised rules should be settled with deference to the statutory obligations under paragraph 6 (3) of the Government of India (Distribution of Revenues) Order, 1936.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken
Necessary instructions in the matter have been issued with the concurrence of the Auditor General. The report submitted (Appendix III) was considered by the Committee.
The Committee were assured that all possible steps were being taken in this direction.
A memorandum on the subject (Appendix IV) was submitted for the consideration of the Committee who accepted the conclusion that in the case of railways the correct classification should be followed in the accounts irrespective of whether the provision in the budget had been made under the correct head or not
A note (Appendix V) was submitted to the Committee, who accepted the conclusions embodied therein and agreed that the revised rules should continue.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
54	1937-38	18-P. . . .	That the question of modifying the agreements of the East Indian and Eastern Bengal Railways with their auctioneers with a view to secure payment for the auctioned materials before the materials sold are removed should be re-examined and should be submitted to the Honourable the Finance Member for final decision.
55	1937-38	29-P. . . .	That some of the explanations for the variations under Grant No. 12 given in the Chief Commissioner's Review could have been more informative without being less brief.
56	1937-38	45-P. . . .	That the orders recently issued by the Railway Board to various State Railways to make necessary adjustments in 1939-40 accounts in respect of the expenditure on renewals of certain assets charged to Depreciation Fund in 1937-38 should be cancelled.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken
The question was stated to be still under consideration.
The wishes of the Committee have been complied with in drafting the explanations for 1938-39
This has been done

APPENDIX II.

Statement Comparing expenditure with grants for 1938-39.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Customs.				
Voted .	79,22,000	75,35,562	3,86,438	..
Non-voted .	*44,22,675*	*44,19,443*	*3,232*	..
2. Central Excise Duties:				
Voted . .	10,50,000	11,64,751	..	1,14,751
Non-voted .	*34,12,532*	*34,12,532*	..	..
3. Taxes on Income including Corporation Tax:				
Voted . .	78,28,000	73,97,321	4,30,679	..
Non-voted .	*1,78,510*	*1,77,761*	*749*	..
4. Salt:				
Voted . .	64,72,000	60,46,748	4,25,252	..
Non-voted .	*43,86,445*	*43,52,504*	*33,941*	..
5. Opium:				
Voted . .	24,37,000	24,14,635	22,365	..
Non-voted .	*1,41,129*	*1,40,924*	*205*	..
6. Provincial Excise:				
Voted . .	4,97,000	4,16,559	80,441	..
Non-voted .	*23,350*	*23,309*	*41*	..
7. Stamps:				
Voted . .	16,79,000	14,66,206	2,12,794	..
Non-voted .	*2,00,187*	*1,93,929*	*6,258*	..
8. Forest:				
Voted . .	6,02,000	5,64,041	37,959	..
Non-voted .	*2,91,081*	*2,82,070*	*9,011*	..
9. Irrigation (including working expenses), Navigation, Embankment and Drainage Works:				
Voted . .	2,09,000	1,55,720	53,280	..
Non-voted .	*12,26,228*	*12,01,961*	*21,267*	..
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt:				
Voted . .	96,44,000	96,39,622	4,378	..
Non-voted	[illegible]	[illegible]	[illegible]	

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation — Less than granted	More than granted.
PART I—CIVIL—contd	Rs	Rs	Rs.	Rs.
A —EXPENDITURE CHARGED TO REVENUE—contd				
12 Executive Council				
Voted	1,28,000	1,17,250	10,750	
Non-voted	4,88,160	4,88,565		405
13 Council of State ·				
Voted	1,34,000	1,26,793	7 207	
14. Legislative Assembly and Legislative Assembly Department				
Voted	9,37,000	9,52,872		15,872
Non voted	63 000	62,509	491	
15 Home Department				
Voted	9,43,000	8,27,751	1,15,249	
Non voted	19,84,960	20,03,564		18,604
16 Legislative Department				
Voted	4,03,000	3,79,213	23,787	
Non voted	1,93,297	1,92,685	612	
17. Department of Education, Health and Lands				
Voted	6,43,000	6,07,995	35,005	
Non-voted	2,65,404	2,64,596	808	
8 Finance Department				
Voted	5,65,000	5,60,057	4,943	
Non voted	10,36,722	10 38,195		1,473
Commerce Department				
Voted	4,50,000	4,24,863	25,137	
Non voted	1,94,442	1,94,595		153
Department of Labour				
Voted	4,13,000	3,87,675	25,325	
Non-voted	1,51,169	1,48,860	2,309	
[illegible]epartment of Communications				
Voted	1,82,000	1,81,253	747	
Non voted	1,09,240	1,11,400		2,160
[illegible]tral Board of Revenue				
Voted	3,09,000	2,82,668	26,332	
Non voted	1,57,989	1,57,727	262	
[illegible] Office and High [illegible]mmissioner's Establishment Charges				
Voted	17,58,000	16,81,996	76,004	
Non-voted	23,58,000	23,50,376	7,624	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—Expenditure Charged to Revenue—*contd.*				
24. Payments to Other Governments, Departments, etc., on account of services rendered :				
Voted	1,25,000	1,00,804	24,196	..
25. Audit :				
Voted	93,05,000	88,70,318	4,34,682	..
Non-voted	*9,21,930*	*9,18,381*	*3,549*	..
26. Administration of Justice :				
Voted	1,12,000	96,028	15,972	..
Non-voted	*3,29,297*	*3,26,990*	*2,307*	..
27. Police :				
Voted	1,66,000	1,56,651	9,349	..
Non-voted	*21,215*	*21,065*	*150*	..
28. Ports and Pilotage :				
Voted	18,20,000	17,60,083	59,917	..
Non-voted	*9,87,477*	*9,79,629*	*7,848*	..
29. Lighthouses and Lightships :				
Voted	9,13,000	9,09,093	3,907	..
Non-voted	*10,000*	*10,076*	..	*76*
30. Survey of India :				
Voted	19,40,000	16,63,150	2,76,850	..
Non-voted	*7,25,400*	*7,21,898*	*3,502*	..
31. Meteorology :				
Voted	20,60,000	19,06,648	1,53,352	..
Non-voted	*99,183*	*94,595*	*4,588*	..
32. Geological Survey :				
Voted	2,18,000	2,13,180	4,820	..
Non-voted	*2,32,530*	*2,29,099*	*3,431*	..
33. Botanical Survey :				
Voted	61,000	47,137	13,863	..
Non-voted	*27,120*	*26,208*	*912*	..
34. Zoological Survey :				
Voted	1,37,000	1,28,812	8,188	..
Non-voted	*46,200*	*46,199*	*1*	..
35. Archæology :				
Voted	12,51,000	10,40,885	2,10,115	..
Non-voted	*72,170*	*72,218*	..	*48*
36. Mines :				
Voted	1,56,000	1,34,963	21,037	..
Non-voted	*1,03,284*	*1,00,142*	*3,142*	..
37. Other Scientific Departments :				
Voted	3,05,000	2,76,085	28,915	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure	Expenditure as compared with Grant or Appropriation	
			Less than granted	More than granted.
PART I.—CIVIL—*contd.*	Rs	Rs	Rs	Rs
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
38 Education:				
Voted	6,74,000	6,69,445	4,555	
Non-voted	*4,241*	*3,222*	*1,019*	
39 Medical Services:				
Voted	7,04,000	6,98,751	5,249	
Non-voted	*2,32,353*	*2,32,612*		*259*
40 Public Health:				
Voted	10,63,000	7,24,445	3,38,555	
Non-voted	*2,48,753*	*2,40,287*	*8,466*	
41. Agriculture:				
Voted	35,79,000	33,62,277	2,16,723	
Non-voted	*66,470*	*66,145*	*325*	
42 Imperial Council of Agricultural Research Department				
Voted	7,53,000	7,09,219	43,781	
Non-voted	*1,98,759*	*1,96,115*	*2,644*	
43 Scheme for the Improvement of Agricultural Marketing in India				
Voted	5,10,000	4,82,255	27,745	
44. Imperial Institute of Sugar Technology				
Voted	3,41,000	2,51,603	89,397	
45 Civil Veterinary Services				
Voted	8,97,000	6,81,163	2,15,837	
Non-voted	*36,400*	*35,236*	*1,164*	
46 Industries				
Voted	9,07,000	8,16,059	90,941	
Non-voted	*450*	*429*	*21*	
47 Aviation				
Voted	32,53,000	29,70,230	2,82,770	
Non voted	*14,013*	*13,656*	*357*	
48 Capital Outlay on Civil Aviation charged to Revenue				
Voted	1,000		1,000	
49 Broadcasting:				
Voted	22,32,000	20,56,972	1,75,028	

Number and name of Grant or Appropriation.	*Final Grant* or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
50. Capital Outlay on Broadcasting charged to Revenue :				
Voted . .	1,000	..	1,000	..
51. Indian Stores Department :				
Voted . .	22,94,000	21,94,193	99,807	..
Non-voted .	*1,15,800*	*1,14,591*	*1,209*	..
52. Commercial Intelligence and Statistics :				
Voted . .	7,76,000	6,53,429	1,22,571	..
Non-voted .	*71,665*	*71,709*	..	*44*
53. Census				
Voted . .	5,000	5,174	..	174
Non-voted .	*2,048*	*2,047*	*1*	..
54. Emigration—Internal :				
Voted . .	12,000	10,176	1,824	..
55. Emigration—External :				
Voted . .	1,92,000	1,32,860	59,140	..
Non-voted .	*1,83,466*	*1,84,327*	..	*861*
56. Joint Stock Companies :				
Voted . .	1,47,000	1,44,401	2,599	..
57. Miscellaneous Departments :				
Voted . .	4,16,000	3,73,580	42,420	..
Non-voted .	*18,470*	*18,469*	*1*	..
58. Currency :				
Voted . .	15,64,000	13,64,429	1,99,571	..
Non-voted .	*1,53,752*	*1,53,237*	*515*	..
59. Mint :				
Voted . .	19,76,000	19,42,445	33,555	..
Non-voted .	*1,14,269*	*1,15,191*	..	*922*
60. Civil Works :				
Voted . .	84,73,000	65,13,739	19,59,261	..
Non-voted .	*22,25,160*	*22,16,521*	*8,639*	..
61. Central Road Fund :				
Voted . .	1,70,00,000	1,56,00,000	14,00,000	..
62. Superannuation Allowances and Pensions :				
Voted . .	1,10,28,000	1,04,90,905	5,37,095	..
Non-voted .	*1,77,06,109*	*1,76,94,629*	*11,480*	..

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted	More than granted
	Rs	Rs.	Rs	Rs
PART I.—CIVIL—contd				
A.—EXPENDITURE CHARGED TO REVENUE—contd				
63 Stationery and Printing				
Voted	53,43,000	52,78,624	64,376	
Non-voted	*52,621*	*52,439*	*183*	
64 Miscellaneous				
Voted	18,69,000	13,94,057	4,73,943	
Non-voted	*3,09,882*	*3,12,977*	.	*3,095*
65 Grants-in-aid to Provincial Governments				
Voted	1,72,000	1,71,600	400	
Non-voted	*3,03,00 000*	*3,03,00 000*	..	
66 Miscellaneous Adjustments between the Central and Provincial Governments				
Voted	1,72 000	1,61,213	10,787	
67. Expenditure on Retrenched personnel charged to Revenue				
Voted	7,000	2,411	4,589	
68 Delhi				
Voted	54,65,000	52,41,376	2,23,624	
Non-voted	*3,21,790*	*3,16,633*	*5,157*	
69 Ajmer-Merwara				
Voted	16,26,000	15,37,981	88,019	
Non-voted	*2,77,261*	*2,76,293*	*968*	
70 Panth Piploda				
Voted	13,000	12,414	586	
71 Andaman and Nicobar Islands				
Voted	31,90,000	30,92,312	97,688	
Non-voted	*1,92,990*	*1,92 178*	*812*	
Staff, Household and Allowances of the Governor General				
Non-voted	*20,53 119*	*20 49,895*	*3,224*	
Secretariat staff of the Governor General				
Non-voted	*75,526*	*72 704*	*2,822*	
Principal Supply Officers Committee				
Non-voted	*21,094*	*20 525*	*569*	
Federal Public Service Commission				
Non-voted	*4,48,390*	*4 51,859*		*3,559*

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*concld.*				
Defence Department :				
Non-voted .	*5,89,698*	*5,87,804*	*1,894*	..
Ecclesiastical :				
Non-voted .	*29,96,642*	*30,24,900*	..	*28,258*
Payments to Crown Representative :				
Non-voted .	*1,26,34,616*	*1,26,03,877*	*30,739*	..
Tribal Areas :				
Non-voted .	*1,99,31,288*	*1,99,20,471*	*10,817*	..
External Affairs :				
Non-voted .	*64,09,257*	*63,86,905*	*22,352*	..
Baluchistan :				
Non-voted .	*49,64,440*	*49,34,992*	*29,448*	..
Total—Expenditure Charged to Revenue . .	40,20,10,798	38,96,94,161	1,25,07,354	1,90,717
Total { Voted . .	14,05,28,000	13,04,75,126	1,01,83,671	1,30,797
Total { *Non-voted* .	*26,14,82,798*	*25,92,19,035*	*23,23,683*	*59,920*
B.—EXPENDITURE CHARGED TO CAPITAL.				
75. Capital Outlay on Schemes of Agricultural Improvement and Research :				
Voted . .	23,000	20,389	2,611	..
76. Capital Outlay on Vizagapatam Harbour :				
Voted . .	3,86,000	22,072	3,63,928	..
77. Delhi Capital Outlay :				
Voted . .	15,75,000	9,87,869	5,87,131	..
78. Commuted Value of Pensions :				
Voted . .	1,000	—17,61,643	17,62,643	..
Non-voted .	*10,04,843*	*8,53,324*	*1,51,519*	..
78-A. Expenditure on Retrenched personnel charged to capital :				
Voted . .	..	—498	498	..
Total—Expenditure Charged to Capital . . .	29,89,843	1,21,513	28,68,330	..
Total { Voted . .	19,85,000	—7,31,811	27,16,811	..
Total { *Non-voted* .	*10,04,843*	*8,53,324*	*1,51,519*	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation	
			Less than granted	More than granted.
	Rs.	Rs	Rs	Rs
PART I—CIVIL—*concld*				
C.—DISBURSEMENTS OF LOANS AND ADVANCES				
79 Interest Free Advances .				
Voted .	51,51,000	51,29,217	21,783	
80. Loans and Advances bearing interest				
Voted .	95,29,000	79,06,762	16,22,238	
Advances to Crown Representative for Loans to Indian States and Notabilities				
Non-voted	*71,000*	*62,000*	*9,000*	.
Total—Disbursements of Loans and Advances	1,47,51,000	1,30,97,979	16,53,021	
Total { Voted .	1,46,80,000	1,30,35,979	16,44,021	
Total { *Non-voted*	*71,000*	*62,000*	*9,000*	.
Total—Civil . .	41,97,51,641	40,29,13,653	1,70,28,705	1,90,717
Total { Voted	15,71,93,000	14,27,79,294	1,45,44,503	1,30,797
Total { *Non-voted*	*26,25,58,641*	*26,01,34,359*	*24,84,202*	*59,920*
PART II—POSTS AND TELEGRAPHS				
A.—EXPENDITURE CHARGED TO REVENUE				
10. Indian Posts and Telegraphs Department :				
Voted . .	10,86,66,000	10,61,27,236	25,38,764	
Non-voted .	*91,71,000*	*91,49,833*	*21,167*	.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART II.—POSTS AND TELEGRAPHS—*contd.*				
B.—EXPENDITURE CHARGED TO CAPITAL.				
73. Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue):				
Voted . .	21,53,000	14,57,668	7,25,332	..
73-A. Stores and Workshop Expenditure not charged to Revenue:				
Voted . .	1,000	1,85,697	..	1,84,697
73-B. Appropriation to the Telephone Development Fund (not charged to Revenue): ..				
Voted . .	2,50,00,000	2,50,00,000	..	..
Total—Expenditure Charged to Capital:				
Voted . .	2,71,84,000	2,66,43,365	7,25,332	1,84,697
Total.—Posts and Telegraphs	14,50,21,000	14,19,20,434	32,85,263	1,84,697
Total — Voted . .	13,58,50,000	13,27,70,601	32,64,096	1,84,697
Total — *Non-voted* .	*91,71,000*	*91,49,833*	*21,167*	..
PART III.—RAILWAYS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board:				
Voted . .	8,99,800	8,97,711	2,089	..
Non-voted .	*4,72,000*	*4,64,658*	*7,342*	..
2. Revenue—Audit:				
Voted . .	14,37,000	14,18,694	18,306	..
Non-voted .	*3,05,000*	*3,05,916*	..	*916*
3. Revenue—Miscellaneous Expenditure:				
Voted . .	19,17,800	12,67,664	6,50,136	..
Non-voted .	*15,54,000*	*15,02,581*	*42,419*	..
5. Revenue—Payments to Indian States and Companies:				
Voted . .	3,31,75,000	3,28,41,086	3,33,914	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure	Expenditure as compared with Grant or Appropriation: Less than granted	More than granted
PART III.—RAILWAYS—*contd*	Rs	Rs	Rs	Rs
A.—EXPENDITURE CHARGED TO REVENUE—*contd*				
6-A. Revenue—Working Expenses—Maintenance of Structural Works				
Voted	7,48,55,000	7,46,71,591	1,83,409	
Non-voted	*24,80,000*	*24,92,450*		*12,450*
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power				
Voted	17,63,85,000	17,81,59,557		17,74,557
Non-voted	*10,18,000*	*10,06,470*	*11,530*	
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock				
Voted	3,74,35,000	3,75,46,379		1,11,379
Non-voted	*4,99,000*	*4,81,314*	*17,686*	..
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours				
Voted	27,93,000	27,67,529	25,471	
Non-voted	*17,000*	*16,784*	*216*	
6-E. Revenue—Working Expenses—Expenses of Traffic Department:				
Voted	9,89,85,000	9,88,11,091	1,73,909	
Non-voted	*13,86,000*	*13,71,984*	*14,016*	
6-F. Revenue—Working Expenses—Expenses of General Departments:				
Voted	3,86,99,900	3,75,96,883	11,03,017	
Non-voted	*23,30,000*	*23,15,471*	*14,529*	
6-G. Revenue—Working Expenses—Miscellaneous Expenses				
Voted	4,22,85,000	4,35,79,896		12,94,896
Non voted	*10,41,000*	*10,09,859*	*31,141*	..
6-H. Revenue—Working Expenses of Electrical Department				
Voted	3,76,40,000	3,80,25,115		3,85,115
Non voted	*2,64,000*	*2,61,625*	*2,375*	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS—*concld.*				
A.—EXPENDITURE CHARGED TO REVENUE—*concld.*				
7. Revenue—Appropriation to Depreciation Reserve Fund :				
Voted	12,57,00,000	12,56,11,417	88,583	..
8. Revenue—Interest Charges :				
Voted	2,63,000	2,63,983	..	983
Non-voted	*29,25,54,000*	*29,26,95,223*	..	*1,41,223*
Total—Railway Expenditure Charged to Revenue	99,63,84,500	99,73,84,934	27,20,085	37,20,519
Total { Voted	69,24,70,500	69,34,57,599	25,78,831	35,65,930
Total { *Non-voted*	*30,39,14,000*	*30,39,27,335*	*1,41,254*	*1,54,589*
B.—EXPENDITURE CHARGED TO CAPITAL.				
11. Capital—New Construction :				
Voted	54,50,000	5,63,388	48,86,612	..
Non-voted	*16,000*	*17,150*	..	*1,150*
12. Open Line Works :				
Voted	8,83,69,900	9,34,68,140	..	50,98,240
Non-voted	*91,000*	*91,500*	..	*500*
Discharge of Debentures :				
Non-voted	*4,10,28,000*	*4,10,50,818*	..	*22,818*
Total.—Railway Expenditure Charged to Capital	13,49,54,900	13,51,90,996	48,86,612	51,22,708
Total { Voted	9,38,19,900	9,40,31,528	48,86,612	50,98,240
Total { *Non-voted*	*4,11,35,000*	*4,11,59,468*	..	*24,468*
Total.—Railways—	1,13,13,39,400	1,13,25,75,930	76,06,697	88,43,227
Total { Voted	78,62,90,400	78,74,89,127	74,65,443	86,64,170
Total { *Non-voted*	*34,50,49,000*	*34,50,86,803*	*1,41,254*	*1,79,057*

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation — Less than granted	Expenditure as compared with Grant or Appropriation — More than granted
PART IV.—DEFENCE SERVICES *	Rs	Rs	Rs	Rs
A.—EXPENDITURE CHARGED TO REVENUE				
58. Defence Services—Effective—				
India—Non-voted	37,43,07,000	37,36,65,000	6,42,000	.
England—Non-voted	6,40,72,000	6,37,80,000	2,92,000	..
59.—Defence Services—Non-effective—				
India—Non voted	3,77,99,000	3,78,99,000		1,00,000
England—Non-voted	4,77,93,000	4,77,89,000	4,000	
60.—Defence Reserve Fund—Non-voted	—41,14,000	—24,43,000	..	19,71,000
Total.—*Defence Services (Non-voted)*	51,[illegible]5,57,000	52,06,90,000	9,38,000	20,71,000
GRAND TOTAL	2,21,56,69,041	2,19,81,00,017	2,88,58,665	1,12,89,641
GRAND TOTAL — Voted	1,07,93,33,400	1,06,30,39,022 (a)	2,52,74,042	89,79,664
GRAND TOTAL — *Non-voted*	1,13,63,35,641	1,13,50,60,995 (b)	35,84,623	23,09,977

*The figures are *gross*.

(a) This amount is more than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1938-39 by Rs 4,19,937 which is due to the fact that credits to capital for the value of assets sold and abandoned in the Posts and Telegraphs Department have not been taken into account in the Appropriation Accounts of that Department as the Demand was for the gross capital expenditure

(b) This amount is less than that given in statement No 3 of Part A of the Finance Accounts of the Central Government for 1938-39 by Rs 155 which is due to rounding

APPENDIX III.

Note by the Railway Board on Railway Officers' saloons and reserved inspection carriages.

At their meeting held on 21st August 1939, the Public Accounts Committee asked for a further report on the above subject to be submitted to them. Investigations have now been completed and it has been found possible to effect reductions in the total number of inspection carriages as follows :—

Railway.	No. of carriages reduced or programmed to be reduced in the near future.	Remarks.
A. B.	4 M. G.	These carriages have reached their normal life and are expected to be condemned without replacement by 1941-42.
B. B. and C. I.	3 B. G.	Will be condemned shortly without replacement.
	2. M. G.	One bogie carriage has already been condemned and will not be replaced. One 4-wheeled carriage will be scrapped without replacement when it reaches the end of its life in 5 years' time.
B. N.	5 B. G.	One has already been withdrawn and condemned. Three will be condemned in March 1941 and one in 1941-42. None of these will be replaced.
E. B.	4 M. G.	Have already been condemned and not replaced.
E. I...	8 B. G.	One bogie carriage will be condemned without replacement in November 1940. One 4-wheeled carriage has already been condemned. One will be condemned after 2 years and three after 5 years. The condemnation of two more will be considered in 1942-
G. I. P.	24 B. G.	8 have been scrapped without replacement. The disposal of the remainder is being further examined.
M. & S. M.	3 B. G.	One B. G. vehicle is being offered for sale to another railway. The other two will be condemned in September-October 1942.
	5 M. G.	All these five are to be condemned without replacement, one in December 1940, two in April 1941, one in June 1941 and 1 in October 1941.
N. W.	12 B. G.	Eleven carriages have already been withdrawn and stored till disposed of. The 12th carriage will be withdrawn in about December 1940. All the 12 will be disposed of without replacement.
S. I.	1 B. G.	Scrapping will be undertaken within 4-5 years.

APPENDIX IV.

Memorandum by the Government of India on the experimental transfer of the Railway Accounts Department to the General Manager

As desired by the Public Accounts Committee in para 5 of their Report on the accounts of 1937-38, Volume I—Report, Part II—Railways, the final report of the Auditor General in connection with the experimental transfer of the Accounts Department in two railway administrations to the control of the General Manager is submitted herewith In regard to the particular issue alluded to by the Committee last year, namely, the importance of ensuring that the conditions of service of the Accounts staff are such that they should be free to maintain a critical, though of course impartial, attitude both in financial cases and in the exercise of internal accounts check, para 4 of the Auditor General's report indicates the broad lines on which he considers that action should be taken to secure this object As stated by him, his views have been accepted by the Railway Board and copies of their letters Nos 0937-F, dated the 25th June and 176/Adm /37/II of the 6th July 1940, to the railway administrations concerned giving effect to them are attached herewith for the Committee's information.

2 In regard to the general conclusions to be drawn as to the value of the experiment, the Railway Board can, at present, add little to the observations contained in para 6 of the Auditor General's report It will be seen from the details he gives in regard to its working on the North-Western Railway that adjustments have been found necessary from time to time in the light of experience, and the effect of the very recent orders of June and July 1940, alluded to in the preceding paragraph of this memorandum, cannot, of course, yet be judged On the Great Indian Peninsula, the other railway on which the experiment was initiated, the introduction of the experiment has, however, in the view of the Government of India, led to a fuller appreciation by the various departments of the position of the Chief Accounts Officer as the financial adviser of the railway, and has tended to bring the latter into closer contact with all aspects of the working of the railway, to the advantage of all concerned The Government of India adhere to the views expressed in para 7 of the memorandum on this subject placed before the Committee in 1938, when it was stated that an arrangement which treats the Chief Accounts Officer as independent of the General Manager and owing allegiance to an authority outside his administration, tends to be subversive of that unity and harmony which is essential to the successful working of the railway and to weaken in the General Manager that sense of responsibility for the financial prosperity of his undertaking as a business concern which it is of the utmost importance to retain Now that any positive objections to the system under experiment have been removed, the Government of India are confident that it will, in the end, have the effect of encouraging General Managers to utilise more fully the financial advice and accounting experience of their Chief Accounts Officers and they consider that the system should now be established on State-managed railways

Report of the Auditor-General of India on the experiment of placing the Chief Accounts Officer and his staff under the control of the General Manager.

A reference is invited to paragraph 5 of the Report of the Public Accounts Committee on the Accounts of 1937-38, Volume 1—Report, Part II—Railways, in which the Public Accounts Committee desired that a final report should be submitted by the Auditor General this year on the working of the experiment and that the report should specify how far their recommendation in respect of the conditions of service of the Accounts staff was being implemented in actual practice. Subsequent proceedings directed to this end have been as follows.

2. The Railway Board found that certain arrangements for the administration of establishments which were in force on the North-Western Railway were not in consonance with the principle accepted by the Public Accounts Committee and they issued orders, with the concurrence of the Auditor General, early in January 1940, to the General Manager, North-Western Railway removing the control of the Accounts staff from the personnel Branch. It was decided that establishment matters relating to the Accounts staff, *e.g.*, postings, promotions, leave, disciplinary action, etc., should be dealt with originally in the Accounts Branch from which also the orders should issue and not from the Personnel Branch. It was also provided that the Personnel Branch should be consulted in these matters before orders were issued and in the event of a difference of opinion between the two branches the matter should be referred to the next higher authority and ultimately, if necessary, to the Financial Adviser and Chief Accounts Officer and the General Manager. The General Manager, North-Western Railway was requested to give effect to these orders as early as possible, and by March 1940, he had made the detailed arrangements necessary to implement them.

3. After examining the material collected for his report to the Public Accounts Committee and in the course of a preliminary summing-up of his impressions—in May 1940—the Auditor General found it necessary to represent to the Railway Board that in his opinion even the orders passed in the case of the North-Western Railway in January 1940, had not eliminated those possibilities of danger which have been stressed each time the matter has been discussed in the Public Accounts Committee. He had in fact further evidence that, in the North-Western Railway at any rate, his original conception of the arrangements contemplated had definitely not been fulfilled in certain important respects. For example, he felt that by certain existing arrangements for making the annual confidential reports on the Chief Accounts Officer and the Junior Accounts Officers, for granting leave to the latter, directing their tours regulating their travelling allowances, etc., etc., barriers had been interposed between the Chief Accounts Officer and his staff and similar barriers had either been interposed or were likely to arise between the Controller of Railway Accounts and his Chief Accounts Officer, and if these existing practices continued and were extended to other railways it would be hard for the Auditor General to say that the arrangements for securing the professional efficiency and not merely the independence of the Railway Accounts Department as a whole were properly and scientifically founded.

4. The Auditor General's conception of the relations which should subsist between the different authorities concerned in this matter is briefly as follows :—

(1) The Controller of Railway Accounts as the professional agent of the Railway Board should continue to organise, train, and control, at any rate professionally the Railway Accounts establishments as a whole he should be responsible for their professional efficiency and for the correctness of the accounts and accounting procedure. To secure this there should be free communication of every kind between the Controller of Railway Accounts and the Chief Accounts Officer on all accounts matters including those which might have an administrative aspect, and the Controller of Railway Accounts' right of inspection should be full and unfettered

(2) There should be a similar relation between a Chief Accounts Officer and his accounting staff both officers and subordinates The Accounts Branch in a Railway should be a concrete unit under single professional control

(3) Subject to the above, the Accounts Branch may be under the general superintendence of the General Manager, and the latter should have ample power to see in a general way that the Accounts Branch is doing its proper business from day to day, and to demand accounts, financial information and advice, from the Chief Accounts Officer as and when required for the due administration of the Railway The General Manager should be at liberty to criticise the Chief Accounts Officer and his accounts to the Controller of Railway Accounts and indeed up to the Railway Board but he should not be expected or indeed allowed to make the regular reports on the professional competence of the Chief Accounts Officer or any of his Officers

(4) The matter having been fully ventilated on these lines, the Railway Board have accepted entirely all the Auditor General's propositions and in June and July 1940, orders were issued definitely and clearly affirming them

(5) The Auditor General's only positive objection to the system under experiment has thus been removed. As regards other aspects of it, the only conclusions of detail which he feels justified in expressing at this stage are largely negative

It cannot be said that the experiment had resulted in any really appreciable improvement or efficiency either in the field of accounts or of financial advice Certainly there has been no change which was not possible under the old system It cannot be said there has been any marked change for the better in relations between the Chief Accounts Officer and the General Manager. The Chief Accounts Officer has not markedly become a more important factor in the running of the individual

year, however, the Auditor General postulated that in the end he would only be able to pronounce upon the success or otherwise of the experiment for a limited point of view and that the opinion of the Railway Board would necessarily be of more value than the opinion of the Auditor General on the question whether the experiment results in the administration of railways being more efficient or more successful financially. Nevertheless the Auditor General can now express himself as satisfied that with the arrangements as now agreed upon there is no reason of principle at all why the system under experiment should not be a success and it is indeed desirable that it should be established if as anticipated it will in the end have the effect of encouraging General Managers to utilise more fully the accounts knowledge and financial advice of their Chief Accounts Officers.

COPY OF RY. BOARD LETTER NO 0937-F., DATED THE 25TH JUNE, 1940, TO THE GENERAL MANAGER, N.-W. RY.

SUBJECT :—*Transfer of Accounts Department under the control of General Manager.*

I am directed to refer to the correspondence ending with the Railway Board's letter No. 0937-F, dated the 4th January 1940, on the above subject. As a corollary to the experiment in progress the Divisional, Workshops and Stores Accounts Officers on your railway were placed, in relation to their Divisional Superintendents, the Superintendent, Moghalpura Workshops, and the Controller of Stores, respectively, in more or less the same position as that of the Chief Accounts Officer *vis-a-vis* yourself. After considering the operation to date of this organisation and with a view to the removal of any barriers which it may have created to the detriment of the Chief Accounts Officer's control of his staff, a situation inconsistent with the Board's view that the Accounts branch on a railway should be a concrete unit under single professional control, the Board have decided that the position in regard to the direct subordination of these Accounts Officers to the Chief Accounts Officer as it existed before the initiation of the experiment should be restored. The consultation between the Personnel and Accounts Branches prescribed in paragraph 1 of the Board's letter No. 0937-F, dated the 4th January 1940 should be continued, the object being to secure to the fullest extent practicable consistently with their conditions of service, uniformity of treatment, in the matters referred to in that letter as between the accounts staff and the other branches of the administration. Confidential reports on officers of the Accounts branch should be prepared, in the first instance, by the Chief Accounts Officer or his officers and submitted to you for your consideration. If before recording your views, you consider it desirable to consult administrative officers, the Board have no objection to your doing so.

COPY OF RY. BOARD'S LETTER NO. 176|ADMN.|37|II, DATED THE 6TH JULY, 1940, TO THE GENERAL MANAGERS, N.-W. RY. AND G. I. P. RY.

SUBJECT :—*Transfer of control of the Railway Accounts Department to the General Managers of the State-managed Railways.*

I am directed to refer to the Railway Board's letter No. 176|Admn.|37|II, dated the 31st October 1938, on the above subject, and to say that the apprehension has been expressed that the transfer of control therein effected

has tended to weaken the position of the Controller of Railway Accounts *vis-a-vis* the accounts officers of the railways concerned and thereby to impair the efficiency of the accounts administration. I am, therefore, to explain that in the position created by the transfer the Controller of Railway Accounts should be regarded as the professional agent of the Railway Board In this capacity he will continue to organize, train and control, from the professional point of view, railway accounts establishments as a whole, and be responsible for their professional efficiency as also for [illegible] e him [illegible] with [illegible] on all [illegible] rative [illegible] with this correspondence, if it is of importance to the administration of the railway. Further, as the professional agent of the Board in accounts matters, the Controller of Railway Accounts must continue to have complete facilities for the inspection of your accounts branch, and it will be his duty to secure that the transfer of control does not impair the thoroughness of his inspections. He will arrange to keep you informed when he proposes to inspect, and will communicate to you the results of his inspections should they be of sufficient importance as to require your attention.

2. In connection with the discharge of the functions indicated in the foregoing paragraph, the Controller of Railway Accounts should receive from the Chief Accounts Officer the returns prescribed in the enclosure to this letter

3. Where the above instructions conflict with those in paragraph 4 of the Board's letter No. 176|Admn |37|II, dated the 31st October, 1938, the latter should be treated as superseded.

4. Subject to the above, the Accounts Branch is under your general [illegible] accounts to the Controller of Railway Accounts or to the Railway Board In regard to the regular confidential reports on officers of the Branch, subordinate to the Chief Accounts Officer, instructions have already been issued to you in the Board's letter No 0937-F, dated the 25th June 1940 Such reports on the Chief Accounts Officer himself will be prepared in the first instance by the Controller of Railway Accounts who will be concerned primarily with the Chief Accounts Officer's professional competence. The Controller of Railway Accounts will forward the report to you for submission to the Railway Board with such remarks as you may have to offer regarding, *e g.*, the Chief Accounts Officer's general administrative ability, capacity for co-operation with you and your other heads of departments, business acumen, etc

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Returns to be furnished by the North-Western and the Great Indian Peninsula Railways to the Controller of Railway Accounts, New Delhi

Accounts.—1 All statements of account now sent by the Financial Adviser and Chief Accounts Officers to the Controller of Railway Accounts should continue to be sent to his office

2. Half-yearly arrear reports *vide* paragraph 142 of the State Railway Code for the Accounts Department.

Personnel.—A copy of the following returns now sent by the Financial Adviser and Chief Accounts Officer to the General Manager should in future be sent by the Chief Accounts Officer to the Controller of Railway Accounts :—

(1) Monthly statement showing the distribution of gazetted officers on the first of every month.

(2) Half-yearly list of candidates for the departmental examination for the probationers of the Indian Railway Accounts Service. (It is unnecessary to send this return to the Railway Board).

(3) Quarterly reports regarding the progress made by the probationers of the Indian Railway Accounts Service.

(4) Quarterly return of representations from Accounts Union addressed to the Chief Accounts Officer in respect of points not within his power and on which the Chief Accounts Officer does not consider it necessary to make a reference to the General Manager.

(5) Half-yearly report of staff engaged for emergent work.

(6) List of clerks recommended for transfer in vacancies in the Controller of Railway Accounts' Office (Annual).

(7) List of candidates for the Appendix 'D' examination (Annual).

Frauds and losses.—The Financial Adviser and Chief Accounts Officer should report all important cases of fraud, embezzlement or loss to the Controller of Railway Accounts *vide* paragraph 974 of the State Railway Code for the Accounts Department (Part I). This should be done whenever a fraud or loss comes to notice and the Controller of Railway Accounts should be informed from time to time of the progress of any investigation or inquiry.

APPENDIX V.

Memorandum by the Railway Department on the classification in accounts of expenditure provided under an incorrect unit in the budget.

The Central Public Accounts Committee in their report on the accounts of 1935-36 reiterated their decision that even if the budget provision had originally been made under an incorrect unit, the corresponding expenditure should be brought to account against that unit, unless there be strong reasons to the contrary, *e.g.*, when such accounting is contrary to law Consequently the Railway Board issued instructions to the railway administrations, *vide* their letter No 3100-B., dated the 3rd February 1938, giving effect to this decision subject to certain reservations dictated by the requirements of the contracts subsisting between Government and the Companies working State-owned Railways. These reservations were also accepted by the Committee who agreed in their report on the accounts for the year 1937-38 that in the case of —

(i) adjustments between revenue, capital and depreciation fund ,

(ii) transactions affecting the revenue surplus payable to general revenues ; and

(iii) transactions regulated by contracts with companies ,

the rectification of errors should not be postponed to the next year and left the detailed examination of this matter to the Railway Department and the Auditor General

2 The Railway Board have further considered the matter carefully in the light of the experience gained since the instructions alluded to in the previous paragraph were issued and feel that even with the deviations allowed, the principle is unsound for application to the accounts of Indian railways.

3. It will be recognised that in the accounts of a commercial concern of the magnitude of Indian railways it is essential that correct principles of accounting should be followed For the exercise of general financial control, the Railway Board must rely on the results of working as reflected in the accounts, and for this purpose it is important that earnings and expenditure should, as far as possible, be classified uniformly and correctly from year to year. Again in the framing of budget estimates, the Railway Board have to depend primarily upon the actuals of the previous years and it is necessary that these should not be vitiated by deliberate recording of items of expenditure under incorrect heads. The Railway Board are fully alive to the importance of classification following the budget from the point of view of checking expenditure against appropriation But they cannot help feeling that in making this our criterion we tend to overlook the more important and permanent interests of correct statistics and financial control in favour of the comparatively ephemeral interest of appropriation audit

4. In the case of Indian railways, where contracts play such an important part, since there are State-owned railways worked by companies and railways owned by other parties worked by or on behalf of the State, it is essential, unless separate accounts are maintained for different purposes, that accounts should follow the contractual provisions

In particular, the correct classification of expenditure between capital and revenue and in some instances between earnings and expenditure is of utmost importance as it may affect the surplus profits payable to companies or the share of the profits payable to general revenues.

5. The force of some of these arguments has already been accepted by the Public Accounts Committee, and as stated above, they have agreed to certain very important exceptions being made to the general principle enunciated by them. With these exceptions, the principle is now applicable practically only to expenditure chargeable to revenue and its classification between various abstracts. But it is in this field that the correctness of the comparative statistical data is essential. Much the largest and most important portion of revenue expenditure on railways is in respect of working expenses—Demands 6A to H—and since the Public Accounts Committee has already accepted the convention that the expenditure recorded under these heads should be treated as a whole, and that excesses and deficiencies against the various demands can be set off against each other, the detailed classification of the items included in these demands becomes a matter of comparatively minor importance from the point of view of appropriation audit.

6. In the circumstances, the Railway Board feel that on railways correct classification should be followed in accounts, irrespective of whether the provision in the budget has been made under the correct unit or not. The Finance Department and the Auditor General, who have been consulted, are in agreement with the view of the Railway Board, and the concurrence of the Committee in it is now sought.

7. It is not proposed that the present procedure, according to which all important items which have been classified in accounts under a unit different from that under which provision was made in the budget, are brought to the notice of the Public Accounts Committee, should be discontinued. The effect of such misclassification, if any, on the amounts available for expenditure under grants sanctioned by the Legislature will also be fully brought out in the appropriation accounts.

8 It is accordingly not considered necessary to make any modification in the existing rule on the subject. In the case of collieries in general, however, because of their treatment *vis-a-vis* the depreciation fund in the past, a reservation would be made that the write off of their capital would be adjusted against revenue, but each such case would be considered specially in consultation with the Auditor General

APPENDIX VII.

Summary of Approximate financial results of Indian State-owned Railways in 1939-40.

Approximate figures of Railway Revenue and Expenditure for 1939-40 which are now available, show a surplus of about 4,50 lakhs which is nearly 89 lakhs more than the revised estimates made in February last and is better by 3,13 lakhs than the actuals for 1938-39.

The deterioration in traffic which ranged during the whole of the year 1938-39 was checked only in the latter part of the year under review. Since then the traffic earnings have been improving steadily. A part of the improvement is, however, attributed to the increase in the rates and fares introduced from 1st March 1940.

Gross traffic receipts of state-owned railways for 1939-40 amounted to about 97⅔ crores or about 3¼ crores more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 52½ crores or ¾ crores more than in the previous year. The amount set apart for depreciation amounted to 12·58 crores, which is 2 lakhs more than that in the previous year.

Net traffic receipts amounted to 32·81 crores and were 2⅓ crores more than in 1938-39.

Miscellaneous transactions resulted in a net receipt of 61 lakhs and were 38 lakhs more than in the previous year.

The net revenue available for meeting interest charges was 33·42 crores, or about 2¾ crores more than in 1938-39.

The total interest payable was 28·92 crores, as against 29·30 crores in 1938-39, *i.e.*, about 38 lakhs less.

There was a surplus of 4½ crores during 1939-40 as against a surplus of about 1⅓ crores in 1938-39. This will be paid to general revenues against Rs. 4⅔ crores, the actual amount of contribution due for the year, it having already been decided to postpone till 31st March 1942 the repayment of loans taken in previous years from the Depreciation Reserve Fund to meet loss in working. Rs. 4 crores has already been paid provisionally.

The appropriation to the depreciation fund was 12·58 crores and the amount withdrawn for renewals amounted to 6·53 crores. The net accretion to the fund during the year amounted to 6 crores.

The actual balance at credit of the fund now stands at 30·75 crores, and the nominal balance at about 61½ crores. In addition to this, ¼ crore has been invested from the depreciation fund in the purchase of branch line shares and stock.

The total capital expenditure during the year amounted to about 4½ crores. The stores balances have increased by about 1¼ crores, *i.e.*, from 10 crores at end of 1938-39 to 11¼ crores at the end of 1939-40.

At the end of 1939-40 the liabilities of the railway amount to 66⅓ crores of which 30⅓ crores represent loans from the depreciation fund and 36 crores unpaid contribution due to general revenue from 1931-32

to 1939-40 It has, however, been decided that railway revenues should not be liable before 1st April 1942, or before the fixation under Section 187 (1) of the Government of India Act, 1935 of the sum therein referred to, whichever is earlier, to repay to the Depreciation Reserve Fund maintained for Indian State-owned Railways, the balance outstanding on 1st April 1937 of the loans of 30⅔ crores taken from the fund to meet railway deficit or to pay to general revenues any contribution due in respect of the period from 1931-32 to 1938-39 amounting to 35⅓ crores

The ratio of ordinary working expenses to gross traffic receipts was 53·5 per cent in the previous year.

The ratio of total working expenses (including contribution to the depreciation fund) was 66·4 per cent against 67 8 per cent in the previous year

The ratio of the net revenue to the capital at charge was 4·41 per cent against 4·06 per cent in the previous year

On Class I Railways (excluding Jodhpur, Mysore and H. E. H the Nizam's State) goods earnings in 1939-40 were Rs 3·24 crores higher than in 1938-39 This increase was contributed chiefly by coal and coke for the public, metallic ores, salt, cotton raw pressed iron and steel wrought and fruits and vegetables fresh There was a heavy decline, however, under sugar, gram and pulse and oilseeds

Coaching earnings were, however, only slightly higher (ie, Rs 7 lakhs) than those for the previous year.

Other earnings also showed an increase of Rs 10 lakhs

Statement showing the results of working the Indian State-owned Railways during the year 1939-40, as compared with the revised estimates for the year and the actuals for the previous year

(In crores)

	1938-39	1939-40 Revised estimate	1939-40 Latest approximate actuals
1 Gross Traffic Receipts	94 48	97·30	97 65
2 Ordinary Operating expenses	51·48	52·76	52 26
3 Depreciation	12·56	12 59	12 58
4 Net Traffic Receipts	30 44	31·95	32·81
5 Net Miscellaneous Receipts	23	58	63
6 Interest	29 30	28 92	29·07
7. Surplus (+)	+1·37	+3 61	+4·33

APPENDIX VIII.

Note on superseded maps of the Map Record and Issue Office.

At their meeting held in Simla in August. 1939, the Public Accounts Committee recommended that the possibility of reducing the number of superseded maps of the Map Record and Issue Office of the Survey of India should be examined, and asked for the results of this examination to be communicated to them. This examination has now been made in consultation with the Surveyor General.

2. It may be noted that it is fallacious to regard the loss on superseded maps as equivalent to their face value. The following figures show the approximate average cost of printing an edition of a map :—

	Rs.
Preparation of Printing Plates (analogous to setting up type)	250
Printing 500 copies	300
Paper for 500 copies	35
Total ..	585
Paper for 100 copies	7

It will thus be observed that the printing of a normal press order of 500 copies of a map costs nearly Rs. 600, whereas the printing of an additional 100 copies costs only Rs. 7 more. It is uneconomical, therefore, to print too few copies in an edition, as this will necessitate incurring expenditure of at least Rs. 400 for a reprint.

3. The number of copies superseded in 1938-39 was 23,705 which is roughly half the number superseded in 1937-38, the year under review. This figure is made up of a varying number of copies of 168 separate maps, and represents an out of pocket loss of only about Rs. 1,660 as against a face value of about Rs. 35,550 (at an average of Rs. 1-8-0 per copy).

Superseded maps are not entirely wasted, since the paper is used for a number of purposes such as protective covers for fair drawings (for which stout paper is required), file jackets, envelopes, etc.

4. With a view to making maps more up to date and so increasing their sales, the Survey of India will in future re-issue maps more frequently—at quite short intervals in the case of popular maps. This will, however, involve a steady increase in the number of different maps superseded, and also in the total number of copies of the superseded maps, but it is expected that the latter will be to a large extent offset by the possibility of being able in the future to estimate press orders more accurately on the basis of past actual issues. The great majority of the maps are still in their first or second editions, dating back to a time when there was little or no information as to the sales to be expected. The result of this has been that the initial press orders have turned out in many cases to have been excessive.

5 On the other hand a large factor of safety must always be allowed, and the risk of a premature exhaustion of stock must be avoided, since for a variety of causes there may be a sudden demand for a particular map, the issues of which may have been very small for a number of years This indeed occurs frequently There are at present 6,000 different maps in stock (ultimately there will be 9,000) and a very small percentage of increase in re-issues would immediately cause congestion and consequent delay in the re-producing offices

6 Though the actual loss sustained through supersession of maps is not large every effort will be made to prevent avoidable loss from this cause.

APPENDIX IX.

Report regarding the question of the retention of the post of Director, Botanical Survey of India.

At their meeting in July, 1937, the Public Accounts Committee recommended that the question whether it was necessary to retain the post of Director, Botanical Survey of India should be considered in view of the fact that the Government of India no longer owned any cinchona plantation. The Committee at their meeting held in August, 1939, when a report was made to them orally, desired that a further report on the question should be submitted in 1940.

2. Until the departure in October 1937, on leave preparatory to retirement of Mr. C. C. Calder, the last holder of the post of Director, Botanical Survey of India, that post was combined with the post of Superintendent, Royal Botanic Gardens, Sibpur (near Calcutta), which is a post under the control of the Government of Bengal. The duties performed by the holder of the combined posts on behalf of the Government of India were as follows :—

(a) Care and improvement of the Public Gallery of the Industrial Section of the Indian Museum which is mainly an exhibition of economic plants and their products ;

(b) Collection, record and supply of information regarding all such economic plants and their products as do not specially belong to Agriculture and Forestry ;

(c) Purely scientific work mostly concerned with systematic botany and the supply of information in connection therewith ; and

(d) Production and distribution of cinchona products, and advising the Government of India on cinchona matters generally.

For these duties he was paid by the Government of India a special pay of Rs. 300 per month. His substantive pay was met by the Government of Bengal. Since Mr. Calder's departure on leave the post has been lying vacant and the arrangements sanctioned in the Education, Health and Lands Department letter No. F. 29-40/37-A, dated the 13th October, 1937, (extract enclosed), have been in force for carrying on the duties of the post. Mr. Calder retired in December, 1939.

3. In making the recommendation referred to in paragraph 1 above, the Public Accounts Committee were apparently under the impression that the post of Director, Botanical Survey of India was a separate full-time post under the control of the Government of India and that the main duties of the post were the production and distribution, etc., of cinchona. The cinchona plantation owned by the Central Government in Burma was abandoned in 1937 when Burma was separated from India, but the Government of India have had in stock a considerable quantity of cinchona bark which is being converted into quinine at the factory belonging to the Government of Bengal. The Government of India are no longer responsible for the supply of quinine to provinces, but they are maintaining a reserve stock of quinine to meet emergencies and are also supplying the requirements of the centrally administered areas of Ajmer-Merwara and Baluchistan out of their stock. In 1937 the Central Advisory

Board of Health recommended that in the interests of India as a whole the Central Government should resume control over the production, supply and sale of quinine This question which, with the outbreak of war, has taken on a new aspect is still under consideration A proposal has also been made by the Government of Bengal, and supported by certain eminent Botanists, that the Royal Botanic Gardens, Sibpur, should be transferred to the control of the Government of India Consideration of this proposal has been postponed until the financial position improves In these circumstances, the Government of India have decided not to abolish the post of Director, Botanical Survey of India for the present, though it is unlikely that it will be filled in the near future

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COPY OF PARAGRAPH 1 OF LETTER NO. F 29-40,37-A, DATED 13TH OCTOBER 1937, TO THE SECRETARY TO THE GOVERNMENT OF BENGAL, FOREST AND EXCISE DEPARTMENT

Calder, Mr. C. C.—Director, Botanical Survey—Leave preparatory to retirement—Consequential arrangements

With reference to your letter No 17589-Cin, dated the 16th September 1937, I am directed to convey the sanction of the Government of India to the leave asked for by Mr Calder preparatory to retirement The Government of India also accept the arrangements proposed by the Government of Bengal for carrying on the duties of the Director, Botanical Survey temporarily when Mr Calder proceeds on leave Under these arrangements—

(i) Mr S C Sen, Quinologist to the Government of Bengal, will be the Principal Quinine Officer of the Government of India He will advise them in regard to all quinine questions that may be referred to him and will be in immediate control of their interests at Mungpoo and in general control of stocks in Calcutta As the Government of India do not now own any cinchona plantations and as their control over the production, supply and distribution of quinine has ceased, Mr Sen's duties under the Government of India will be lighter than in 1935 The Government of India have accordingly decided to fix his special pay at Rs 100 per mensem instead of Rs 130 per mensem as on the previous occasion

(ii) Mr Bal, Curator of the Industrial Section of the Indian Museum, will be in immediate charge of the Government of India's quinine stocks in Calcutta and responsible for their disposal, subject to the general supervision of Mr Sen For the additional responsibility thus thrown on him he will get a special pay of Rs 100 per mensem As regards his botanical work, he will be independent and entitled to correspond direct with the Government of India and

(iii) Mr. K P Biswas, Curator of the Herbarium, will supervise the work of the Systematic Assistant at Sibpur and the other interests of the Government of India there. For this he will receive a special pay of Rs 50 per mensem

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APPENDIX X.

Note on the question of obtaining audited accounts from the Bose Research Institute, Calcutta.

Before 1936-37 the Bose Research Institute was not required to submit its audited accounts, as during the life time of Sir J. C. Bose, his presence as the Director of the Institute had been accepted as a guarantee that the Institute carried out the objects of its foundation and maintained a high standard of scientific research. At their meeting held on the 26th July, 1937, the Public Accounts Committee recommended that the Government of India should insist on obtaining audited accounts from all institutions which received grants from central revenues. Audited accounts are accordingly now being received regularly from the Bose Research Institute.

The grant to the Bose Research Institute originally stood at Rs. 1,03,000 per annum, but it was reduced to Rs. 53,000 with effect from 1932-33, after a careful examination of the financial position of the Institute. The position was reviewed again recently and a further reduction of Rs. 3,000 has been made with effect from 1939-40. The annual expenditure of the Institute is now more or less equal to its annual income, including the Government of India grant and the Institute can no longer be said to be funding any portion of the grant.

APPENDIX XI

Note on High Commissioner's estimates for leave salaries

In paragraph 5 of Part I, Volume I of their report on the Appropriation Accounts of 1937-38, the Public Accounts Committee suggested that the Finance Department should examine whether the High Commissioner should not be asked to base his estimates for leave salaries on leave programmes or forecast furnished to him from India, as well as on past actuals

2 The matter has been considered in consultation with the High Commissioner and it has been found that if the estimates are to be prepared with reference to leave programmes, the High Commissioner would have to assume that the leave programmes sent us by the Provincial and other Governments included all the officers likely to be on leave without making arbitrary additions if the forecasts appeared to be unduly low having regard to the figures of previous years Now these programmes have to be framed some months in advance of the year to which they relate and cannot therefore be adhered to strictly Also the programmes cannot take into consideration the allocation of leave salary between various departments and Governments and in view of the situation created by the war, they are likely to be still more unreliable Therefore estimates prepared on programmes would not in all probability be as accurate as those prepared at present on the basis of past actuals It has accordingly been decided not to make any change at present in the existing procedure.

APPENDIX XII.

Memorandum on the revision of the compilation of the detailed Estimates and Demands for Grants.

The difficulty of obtaining sufficient quantities of paper in war time and the consequent necessity for stringent economy in its use have made it essential for the Central Government to consider all possible methods of reducing consumption. One of the proposals made in pursuance of this object is to reduce the size of the compilation of Detailed Estimates and Demands for Grants. At present this compilation, together with its supplements, covers about 1,600 pages octavo and the number of copies printed is over 1,200.

2. It will be generally admitted that the present volume goes into far too much detail for the main purposes for which it is compiled, namely, of giving to the legislature an account of the objects on which the money demanded by the executive Government is proposed to be spent, to enable controlling officers to exercise proper control over the actual expenditure and, finally, to give to audit sufficient information in order to see that the actual expenditure does not go beyond the scope of the original demand approved by proper authority.

3. The present structure of each demand is as follows :—

I. Total estimate of the amount required ;

II-A. Sub-heads under which this grant will be accounted for ;

II-B. Circles of account in which this grant will be accounted for ; and

III. Details of the foregoing by each circle for each sub-head.

The last specially goes into inordinate detail. which is much more than is necessary even for detailed control by subordinate authorities.

4. The proposals that have been tentatively approved by the Central Government are as follows :—

(a) Part I and Part II-A will remain unchanged except that steps will be taken to consider whether the number of sub-heads in the various demands cannot be reduced. This was one of the points to which the Public Accounts Committee directed attention in their report on the accounts for the year 1935-36. It is considered that in the ordinary type of demand only 4 sub-heads would be normally sufficient, namely :

i. Pay of officers,

ii. Pay of establishment,

iii. Allowances, and

iv. Other charges,

though there might be certain demands in which more detail would be desirable.

(b) Part II-B would be abolished.

(c) In substitution for Part III a statement would be given distributing the total of each sub-head for the budget year as *given in present Part II-A among circles of account*. This is useful mainly for purposes of appropriation audit and to a slighter extent of administrative control, but it can be included in the volume placed before the legislature if desired

(d) Foot-notes would be given where appropriate showing details with regard to new services and creation of new posts of sufficient importance

(e) Annexures will be added to each demand showing for the two heads 'pay of officers' and 'pay of establishment' the total numbers and cost in the budget year and in the previous year

(f) As regards pay of officers, details by types of post, but not by circles of account, would also be given The general structure of the demand would be as in the form attached.

5 It is hoped that the Public Accounts Committee will be prepared to accept these proposals in principle The details will be worked out as soon as possible in full consultation with the Auditor General, and a skeleton form circulated to members of the Public Accounts Committee later

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Demand No

I as at present

II-A (to be called II) as at present

II-B and III (to be called III) to be modified as below

Circles of account

	as in II-B	Total
Sub-heads as in II 1 2, 3, 4, 5, etc		
Total		

Note—Includes expenditure on following new services —

* * * * * * *

ANNEXURE

Details of provision under Pay of Officers and Pay of Establishment.

Numbers.			Amount	
1940-41 Revised	1941-42 Budget		1940-41 Revised	1941-42 Budget
		Pay of officers		
		Pay of Establishment.		

APPENDIX XIII.

Note on the concession allowed on multiple address Press Telegrams.

At the meeting held in August 1939, the Public Accounts Committee in dealing with the question of the losses of the Posts and Telegraphs Department in the transmission of Press Telegrams observed as follows :—

" The proper approach to the question lay in deciding what reductions in concessions already granted, could be justified on financial and administrative grounds. While it was recognised that it was in the public interest that Press Telegrams should be sent at a cheaper rate than ordinary telegrams, the practical determination of the extent of the concession was a difficult matter. One concession, namely, the concession in the case of multiple address press telegrams by which copies of the same press message could be sent to different places on payment of a small copying fee only appeared to the Committee to lack justification. The Committee, therefore, desired that the question of revising the multiple address concession which it was understood was already engaging the attention of the Posts and Telegraphs Department, should be examined with a view to ascertaining the possibility of some curtailment of the concession, and a report made to the Committee next year."

2. It has been estimated that if the concession were to be completely abolished, that is to say, if press telegrams addressed to different stations are to be charged at the full press rate and the copying fee applied only to the additional copies in the same station, the increase in revenue from multiple address press telegrams would be about Rs. 4 lakhs in one year on the assumption that the volume of such traffic will remain unaffected even with the increased charges. The complete abolition of this concession would, however, impose a sudden and fairly heavy burden on the press and those supplying it with news. A modified proposal was, therefore, considered.

For the first copy to each station after the first, subject to a maximum of six stations including the first.	Half the charge for the first station subject to a minimum of five annas for each message.
For each additional copy in the same station.	Copying fee as at present.

Note.—Where the telegram is to be sent to more than six stations, the copy for the seventh station will be treated as a fresh message for the purpose of calculation of rates.

It is estimated that the additional revenue likely to accrue by this modification in the concessional rate will be about Rs. 1 lakh in a year provided there is no fall in traffic. This amount of Rs. 1 lakh represents, of course, the extra cost imposed on the users of the multiple address concession, *viz.*, news agencies newspapers and press correspondents. If, however, the traffic fell owing to the modification, the estimated extra revenue of Rs. 1 lakh would be reduced.

3. It was recognised that the present concessions cannot be justified as a permanent measure and Government believe that the modified proposals mentioned above could suitably be introduced if conditions were normal. But the press has recently been subjected to extra charges in

other ways and the value of the dissemination of news is specially high at present. Government are therefore reluctant to withdraw at this moment a privilege enjoyed for many years and consider that the modifications indicated above may be introduced when circumstances have so changed in other ways as to render the modification of the present charges desirable.

4 A statement showing the volume of inland press and non-press traffic and estimated revenue therefrom in the last five years is attached

5. The matter was also referred to the Standing Advisory Committee at its meeting on the 19th March 1940 The Committee agreed that in view of the present conditions no change should be made in the existing charges As to the modifications in para 2 above proposed to be brought in when conditions become normal, the majority of the Committee did not wish to come to any conclusion

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Statement of Inland Telegraph Traffic and Revenue (Estimated)

Year.	Inland traffic excluding press		Inland press traffic	
	No of Telegrams	Revenue	No of telegrams	Revenue
		Rs		Rs
1934 35 including Burma	14,273,842	1,54,23,064	649,289	5,74,204
1935-36, including Burma	14,365,058	1,51,84,539	631,427	6,35,325
1936 37, including Burma	14,920,962	1,54,20,660	637,607	6,09,528
1936 37, excluding Burma	13,510,029	1,38,40,315	577,316	5,47,060
1937-38	13,169,584	1,37,67,647	572,440	6,73,232
1938-39	13,159,746	1,33,69,231	440,325	5,86,006

APPENDIX XIV.

Note on procedure for making budget provision for Posts and Telegraphs works expenditure.

In paragraph 79 of their Report on the Accounts for 1937-38, Volume I, Part I, the Public Accounts Committee recommended that budget provision for works expenditure should, as in the case of civil works, be made only after consultation with the technical department.

2. In the Posts and Telegraphs Department capital works are classified under three categories, namely, (1) buildings, (2) apparatus and plant, and (3) lines and wires.

3. So far as items (2) and (3) are concerned, the Department is itself the technical department concerned and provision in the budget is made in consultation with technical officers of the Department.

4. As regards buildings, the technical departments concerned are either the Central Public Works Department or the Provincial Public Works Department or the Military Engineering Service. The existing orders of Government are that in connection with all items of works expenditure the administrative department concerned should obtain a careful estimate from the Public Works Department of the amount likely to be spent during the financial year before suggesting the inclusion of specific figures in the budget. It has been the practice in this Department to have preliminary estimates of cost prepared in some cases, by its own officers on the basis of Public Works Department's schedule rates and in other cases by the Public Works Department or Military Engineering Service and after the work was approved and budget provision made, detailed plans and estimates were obtained from the technical departments concerned. This practice was followed because in many cases the Public Works Department or the Military Engineering Service were not prepared to undertake the new work of detailed plans and estimates unless there was budget provision for the work. Orders, however, exist requiring the Public Works Department or the Military Engineering Service to undertake detailed plans and estimates, it being provided that if the work is later not taken up, the departments would be paid for the labour involved in preparing the plans and estimates. In some cases the period between the administrative approval of the project and the provision in the budget is insufficient to obtain from the technical departments concerned the necessary information regarding the amount likely to be spent in the financial year. It is, however, recognised that the present procedure often leads to budget provision being made in excess of what is likely to be spent in the year.

5. The Department will, therefore, in future see that wherever practicable, the views of the technical department are obtained before budget provision for works expenditure is made. Where this is not possible due to any particular reasons, a part of the cost of the work, based on previous experience of similar cases, will be provided in the budget with the approval of the Finance Department.

APPENDIX XV.

Memorandum on capital expenditure on Post Office buildings and R. M S. vans.

In para 88 of their Report on the Accounts of 1937-38, the Public Accounts Committee observed that the system of charging capital expenditure on post office buildings and R M S vans to Central Civil Revenues and not to borrowed funds was anomalous and desired that this matter should be looked into

2. It may be observed that the practice of charging the cost of departmental buildings to Revenue and not to borrowed funds is a long standing one and although the matter was fully considered at the time of com-
equest of the
anuary 1933,
The policy
, the cost of
only those assets which can be regarded as clearly and directly reproductive Although post office buildings and R. M S vans can in a sense be regarded as essential to produce revenue, it can hardly be held that they are directly remunerative The existing practice is therefore, in consonance with the general policy of Government in this matter and need not be changed

3 So far as the Posts and Telegraphs Department is concerned, the present practice makes no difference to that Department as all such expenditure is debited to the capital account of that Department Further the present practice has not seriously prevented the provision of necessary funds to the Posts and Telegraphs Department for postal buildings nor has it imposed any serious burden on Central Revenues From the current year, however, the practice has been slightly changed and the expenditure on all postal buildings costing not more than Rs 20,000 each is debited to Posts and Telegraphs revenues This will reduce the burden on Central Civil Revenues for financing this expenditure and will at the same time relieve P and T Department of the liability of meeting interest and depreciation charges thereof.

4 The statement below indicates the expenditure on Post Office buildings during the last five years and in Budget Estimate 1940-41

Statement showing capital outlay on Post Office buildings and R M S Vans financed from ordinary revenues.

Year	Actual gross expenditure during the year
	Rs
1935-36	3 03 000
1936-37	3,77,000
1937-38	3 89 000
1938-39	4,15,000
1939-40 (up to March Final)	2,34 000
1940-41 (B E)	53,000

APPENDIX XVI.

Memorandum on the Revision of the amount of Contribution to the Renewals Reserve Fund of the Posts and Telegraphs Department.

In pursuance of the decision reached at the meeting of the Public Accounts Committee held on 20th August 1935, the Committee were informed in the following year that with effect from the 1st April 1936, a Renewals Reserve Fund had been substituted for the Depreciation Reserve Fund, the annual contribution to which was fixed at Rs. 25 lakhs for a period of 5 years whereafter the position would be re-examined. As was subsequently explained to the Committee the annual contribution was reduced to 23,05 after the separation of Burma and Aden from India.

2. The question has now been reviewed, taking into consideration the annual contributions to the Fund, withdrawals from the Fund to meet the cost of replacement and abandonment of assets and the additions to the capital at charge in the last 4 years and in 1940-41 based on that anticipated in B. E. 1940-41. The following table gives the relevant figures :—

Year.	Balance at the credit of the R. R. Fund in the beginning of the year.	Amount of annual contribution.	Amount of withdrawal from the Fund.	Balance at the credit of the Fund at the end of the year.	Capital at charge of fixed assets.
1936-37	3,03,80	25,00	21,88	3,03,92	17,62,71
1937-38	2,83,31†	23,13	15,30	2,91,14	16,71,88*
1938-39	1,89,14‡	23,13	16,36	1,95,91	17,07,03
1939-40	1,95,91	23,05	20,90	1,98,06	17,36,06
1940-41 (B. E.) ..	1,98,06	23,05	22,69	1,98,42	17,59,70

*Excludes Burma and Aden (1,38,83).

† Excludes 23,61 from the figure adopted for 1936-37 being the credit pertaining to Burma and Aden owing to their separation from India on 1st April 1937.

‡Includes reduction of 1,02,00 representing withdrawals made to meet arrear press losses.

In view of the substantial expansion of the capital at charge which is likely to go on expanding due to development of the activities of the Department and of the rising proportion of withdrawal from the Fund to meet larger demands for replacements by apparatus of modern type of wasting assets specially in respect of telephone and radio, it has been decided with the concurrence of the Auditor-General that the annual contribution should be fixed at Rs. 25 lakhs p. a. for the next five years. At the end of that period the position will again be reviewed in the light of the experience gained and the contribution revised, if necessary. It is considered that this amount would provide for all expenditure on renewals and replacements and would also leave a sufficient margin for additions to the reserve so as to provide for the increasing capital of the Department and for unexpected factors of obsolescence and accident.

The question of distribution between the different branches of the Posts and Telegraphs Department of the proposed contribution will be considered in consultation with the audit authorities at the end of this financial year.

APPENDIX XVII

Report on the question of amalgamating the India Store Department, London, with the Stores Department in India

The Public Accounts Committee at its meeting held on the 2nd July 1934, suggested that the question of amalgamating the India Store Department in London with the Stores Department in India should be considered. In pursuance of this suggestion Sir James Pitkeathly, the then Chief Controller of Stores, Indian Stores Department was deputed early in 1936 to make a detailed examination of the London Store Department and to submit a scheme for its amalgamation with the Indian Stores Department. His report was received by the Government of India in July 1938.

2 Sir James Pitkeathly after consideration of all aspects of the case came to the conclusion that the amalgamation of the India Store Department, London, with the Stores Department in India was impracticable. The High Commissioner for India and the Director-General, India Store Department, London, who were consulted in the matter also expressed the same view.

3. The Government of India have, after a very careful consideration, come to the view that the conclusion reached by Sir James is a correct one and have accordingly decided that the present arrangement should continue.

APPENDIX XVIII.

Report on the staff employed in the Central Public Works Department.

As promised in paragraph 2 of the *interim* report presented to the Public Accounts Committee last year, the following further report on the staff employed in the Central Public Works Department is submitted for the information of the Committee.

2. With effect from the 1st April 1940, the execution and maintenance of all central civil and aviation works in the various provinces, except the C. P. and Berar, North-West Frontier Province, Assam and Orissa, have been taken over by the Central Public Works Department, and a permanent circle of superintendence with 3 divisions at Calcutta, Bombay and Lahore has been constituted. This is an important administrative change and, in order to set the new organization in working order, the former Chief Engineer, Mr. F. T. Jones, C.I.E., who has had a special knowledge of this scheme, has been temporarily re-employed on contract as Consulting Engineer with the Government of India for a period of one year with effect from the 30th July 1940. The Consulting Engineer will also be in charge of rent control cases and the allotment of residential and office accommodation. The superior staff in the Central Public Works Department now comprise 1 Chief Engineer, 1 Consulting Engineer (temporary), 4 Superintending Engineers (3 permanent and 1 temporary), and 15 divisional officers (12 permanent and 3 temporary), distributed as shewn in Annexure I.

3. *Permanent staff*.—During the current financial year, the 4 permanent Delhi Divisions will spend on an average Rs. 8·5 lakhs each, as against the anticipated annual expenditure of Rs. 8 lakhs per annum when they were first constituted in 1930, while the anticipated works expenditure of the Viceregal Estate Division is about Rs. 10·3 lakhs. The current year's works outlay in the 7 outlying divisions is approximately as follows :—

	Rs. lakhs.
Ajmer Division	8
Indore Division	5
Simla Division	4·9
Dehra Dun Division	10·3
Bombay Division	16·2
Calcutta Division	16·1
Lahore Division	10·5

The amalgamation of any of these permanent divisions is not considered practicable, particularly so in regard to the outlying divisions owing to their geographical situation and to the peculiar conditions obtaining in these areas.

The Government of India have examined afresh the need for the superior specialist posts of Consulting Architect, Electrical Engineer and the Superintendent, Horticultural Operations, discussed by the Committee in 1938, and they are satisfied that all these posts are necessary. The last two are treated as divisional charges, and the anticipated works expenditure in these charges is Rs. 6·6 lakhs and Rs. 5·2 lakhs, respectively.

The Consulting Architect is being continuously employed on the preparation of projects

The employment of private Architects would be nearly six times as expensive as that of the present organisation Under the present arrangement, Government save the fees which would be payable on account of work which for some reason or other does not materialise

4 *Temporary staff*—The Construction Division will undertake works costing about Rs 12·9 lakhs, which include the construction of residential quarters for clerks and inferior servants and of an Upper Air Observatory in Delhi. The works outlay of the Delhi Provincial Circle is about Rs 30·9 lakhs, of which Rs 6 lakhs will be spent on the Delhi Improvement Trust Schemes The Construction Division and the Delhi Provincial Circle are expected to be fully engaged, and they have been sanctioned till the 1st March 1941 Owing to the prevalence of serious famine in Rajputana, a separate division for the execution of famine relief works has been created for a period of 8 months from the 1st February to the end of September 1940 This division will not be retained longer than is absolutely necessary and its cost is met from the Famine Relief Fund

5 Excluding the Famine Division there are now 14 divisions in the Central Public Works Department, as against 16 in 1938 when the first report on the subject was submitted to the Committee Two temporary divisions, namely, the Delhi Aviation Division and Special Division No II have been abolished during the course of these two years In addition, as stated in the last *interim* report, it has been found possible to convert the permanent divisional post of Engineer Officer in the Civil Aviation Directorate into that of an Assistant Executive Engineer, and to effect a saving of Rs 10,000 per annum by the appointment to the post of Administrative Officer of a junior I C S officer on a lower scale of pay The total economies expected as a result of all these changes amount to approximately Rs 90,000 per annum The establishment charges of the Central Public Works Department, based on the actual expenditure incurred by the Department during the 4 years 1935-36 to 1938-39 work out at 15·8 per cent A comparison of this figure with the establishment charges leviable on central civil works by provinces shown in Annexure II points to the conclusion that the Central Public Works Department is run with reasonable economy considering the large area to be covered and the scattered nature and urgency of the works

ANNEXURE I

I Circle	II Circle	Central Circle	Delhi Provincial Circle *
Indore Central Division	New Delhi 'A' I	[illegible]	[illegible]
Ajmer Central Division	New Delhi 'B' I		
Construction Division†	Simla Central Di	[illegible]lic Works Division	
Famine Division, Ajmer‡	Viceregal Estates Division	Bihar & U P Works	Central Division.
	Specialist posts treated as Divisional charges		
Horticultural Division	Electrical Division		

[illegible]

ANNEXURE II.

Statement showing the rates of Establishment charges leviable by Provinces, etc.

Serial No.	Name of Province.	Whether fixed rates or *pro rata*.	Establishment (percentage).
			Per cent.
1	M. E. S. ..	Fixed	23
2	Central Public Works Department ..	,,	14¼
3	Persian Gulf ..	,,	26
4	Baluchistan (M. E. S.) ..	,,	23
5	Baluchistan (Irrigation Department) ..	,,	21½
6	Madras ..	,,	17½
7	Coorg ..	,,	17⅓
8	Bombay ..	*Pro rata*	24
9	Sind ..	,,	24
10	Bengal Presidency Circle ..	Fixed	13¼
11	Bengal Other Circles ..	,,	23½
12	Punjab ..	,,	17⅓
13	Bihar ..	*Pro rata*	27
14	Orissa ..	Fixed	27
15	Central Provinces ..	,,	21¼
16	North-West Frontier Province (Agencies) ..	,,	20¼
17	North-West Frontier Province (Provincial) ..	,,	20
18	United Provinces ..	,,	19½
19	Assam ..	*Pro rata*	28
20	A. & N. Islands ..	Fixed	23⅓

APPENDIX XIX.

Note on the allocation of Ecclesiastical Charges to the Civil, the Defence and the Railway Estimates.

Reference para 2 of the proceedings of the Military Accounts Committee, dated the 9th August 1939

The basis of allocation of ecclesiastical expenditure is still under consideration Draft rules for the allocation of the effective charges have already been framed and tentatively accepted by the Departments concerned But considerable difficulty is being experienced in apportioning pensionary charges The Auditor General, is however, being requested to suggest some simple and reasonably correct method for the allocation of pensionary charges and to frame rules for the purpose As soon as this is settled, the budget and accounts will be prepared on that basis Every endeavour is being made to bring the revised allocation into operation with effect from the next financial year

APPENDIX XX

Note on Revision of Army Regulations

Reference [illegible] Military Ac[illegible] [illegible]

2. [illegible] for the [illegible] [illegible] Defence Department [illegible] Finance Department [illegible]

(a) [illegible] *Department*

(i) R[illegible] [illegible]

(ii) Regulations [illegible] Volume II

(iii) Regulations [illegible]

(iv) R[illegible] Rule[illegible]

(b) *Military Finance Department*

(i) [illegible] Regulations for the Army and Air Force, Parts I and II

(ii) Financial Regulations [illegible] R[illegible] Navy

(iii) Pay and Allowance Regulations [illegible] Army in India, Volumes I and II

(iv) Pay and Allowance [illegible] Regulations [illegible] R. I. N. Regulations [illegible] R. I. N. Volume I

(v) Pay and Allowance Regulations [illegible] Air Force in India

(vi) Pension Regulations [illegible] Army [illegible] Parts I, II and III

(vii) P[illegible] Regulations, India

(viii) Military Leave Rules, Part I Rules, Part II [illegible]

(ix) Regulations [illegible] Defence Services Estimates

3. Owing to the outbreak of war there has been some dislocation in the work of revising Regulations and for a period the work was [illegible] due to staff being employed on more urgent work. Moreover, the India Office because of war preoccupation, have not been able to deal with cases which require the Secretary of State's approval with that expedition usual in normal time. Nevertheless, good progress has been made.

4. The present position (June 1940), in regard to the progress on the revision of the more important Regulations since the last year is outlined below:—

A. *Work in hand*

(i) *Pension Regulations for the Army in India.*—These had been prepared in three volumes and work was practically completed. Owing, however, to the introduction of revised pensions for officers of the Indian Army following on corresponding changes made for officers of the British Service, it was found necessary to embody the new pensionary condi-

tions in the Regulations This has been done and the Secretary of State's approval has just been received The three volumes are now ready for final printing off

(ii) *Passage Regulations.*—A draft of Part I containing rules dealing with passages out of India has been prepared but, as the revision of these rules can only be carried out in close consultation with the administrative authorities little progress has been made during the past year owing to the preoccupation of Branches at Army Headquarters with more pressing matters, work on the Regulations generally has however continued Such of the parts as lend themselves to revision independently of the main code, *e g*, the rules governing the grant of passage concessions to the various categories of Defence Services personnel are being revised and will be issued as separate self-contained pamphlets from time to time.

(iii) *Financial Regulations, Part I*—The basic portion of this publication has been prepared and the Secretary of State's approval has just been received

B *Regulations remaining to be taken in hand*

These are —

Serial No	*Name*	*Remarks*
(a)	*By the Defence Department.*	
(i)	Regulations for the sea transport service	Expert Naval assistance which cannot be spared during war, will be required for proper revision of this book Therefore, it has been decided to reprint the book to meet requirements during the war with amendments since issued and slight alterations only.
(ii)	Regulations for the R I N, Volume II	The revised edition of this publication was produced in 1938 Further revision of this regulation has been held over as great changes are rapidly taking place in the R I N as a result of the new expansion scheme
(iii)	Ecclesiastical Rules	Was last printed in 1932 and is now very much out of date The quinquennial retrenchment of ecclesiastical expenditure desired by the Secretary of State, however, now falls to be undertaken and as this is likely to take time, the revision of the rules will have to be postponed till finality is reached on the retrenchment.

Serial No.	*Name.*	*Remarks.*
(b) *By the Military Finance Department.*		
(i)	Financial Regulations for the Army in India, Parts I and II. except basic portion referred to in A. (iii) above.	....
(ii)	Financial Regulations for the Royal Indian Navy.	....
(iii)	Pay, allowances and pension Regulations for the R. I. N.	A draft has been prepared and reviewed by the Controller of Accounts concerned. Work is nearly complete.
(iv)	Pay and Allowance Regulations for the Air Forces.	A draft has been prepared and sent out for review by the administrative and accounts authorities concerned.
(v)	Regulations for Civilians paid from Defence Services Estimates.	....

5. Side by side with the work of producing new books referred to above, which may be described as original revision work, individual rules in the various codes are under constant and critical review and considerable work has been done during the year on improvements, such as the revision of rules which were faultily expressed and the reconstruction of those which were badly drafted, or arranged in wrong or confusing relation to other relevant rules.

6. In all this work, the Director of Audit, Defence Services has, in accordance with the revised system of working referred to last year, taken an active part.

APPENDIX XXI

Note on Simplification of headings in the Defence Budget

With reference to the concluding sentence of Para 6 of the Proceedings of the Military Accounts Committee on the accounts of 1937-38 proposals for the simplification of the headings in the Budget were drawn up and are under consideration by the Administrative and Financial Authorities. There can be no doubt, that by re-arrangement of heads and elimination of many of minor importance, a substantial reduction in the total number of heads under which the Defence Estimates are normally exhibited is possible, without any sacrifice of financial control

Owing, however, to the outbreak of the war and the special arrangements agreed upon for the allocation of expenditure between His Majesty's Government and the Government of India, the Budget Estimates for defence expenditure to be met out of Indian Revenues will, for the period of the war, contain only the following Major, Main and Sub-Heads :—

Major Head 58—Effective—

Main Head 1—Normal cost of Defence Services

Main Head 2—Lump provision for increase in prices

Main Head 3.—War Measures chargeable to Indian Revenues

Sub-Head A.—Certain measures of Military Defence

Sub-Head B—Certain measures connected with Air Defence

Sub-Head C—Certain measures connected with Local Naval Defence

Sub-Head D—Stores

Sub-Head E.—Works

Sub-Head F.—Miscellaneous.

Sub-Head G—Waziristan

Sub-Head H—Payment to His Majesty's Government on account of extra cost of External Defence Troops

Sub-Head I—Expenditure in England

Sub-Head J.—Exchange

Major Head 59|XLVIII.—Non-Effective

2. The question of simplification of the peace-time Defence Budget has therefore lost its urgency but will be pursued as far as present conditions permit in order that the conclusions reached may be carried into effect after the war.

APPENDIX XXII.

Note on works estimates of the M. E. S.

The reasons for and the means of avoiding variations between the estimates and the actual costs in respect of works were discussed at the last Chief Engineers' Conference. These variations were attributed mainly to the fact that under the present system of framing of a programme for works and financing of these, an interval of more than a year obtains between according of administrative approval to a work and its commencement. In this interval the market prices change and, in certain cases, the policy regarding the scope or location of the work changes. These changes affect the completion cost, *vis-à-vis*, the amount originally approved. Certain proposals for reducing the variations in question were made and considered at the Engineers' Conference, and it was eventually agreed that the E.-in-C. should investigate the possibility of introduction of the Home system of framing of estimates for administrative approval. Under this system administrative approval is accorded on an approximate estimate which is prepared more on the lines of the Project estimates in India. Detailed estimates are only called for in respect of such items of the approximate estimate as are deemed to require them. Under this system, the amount of work involved in the preparation of project estimates is reduced. This shortens the interval between approval to the estimate for the work and its commencement and thereby contributes to closer approximation between the original appropriation and the actual expenditure.

2. The E.-in-C. has had the matter under active consideration, but owing to his pre-occupation with war works he has not been in a position to formulate and make definite proposals on the point. The matter has, for the time being, lost its immediate practical interest, as during the period of the war, only urgent works considered necessary for the prosecution of the war will be carried out. Long term planning which obtains in peace and which leads to the situation which it is sought to remedy, will, for the most part, be suspended. It has been agreed that for war works where time does not admit of a project estimate being prepared, the sanction of the competent financial authority will be accorded on an approximate estimate which will be prepared with the same accuracy as is associated with approximate estimates prepared in England.

APPENDIX XXIII

Note on Disposal Organisations.

Since the inauguration of the Central Disposal Organisation, the term "Private Treaty Sale" has been used to include all sales other than by Open Auction Sales, other than by Open Auction, are however, normally effected by calling for open or limited tenders, sales by calling for a tender from a single person or firm being rare

2 As the term "Private Treaty" conveys the impression that the competitive element is missing, which is not true in the case of sales by tender, it has been decided to classify future disposals under the three categories shown below —

(1) *Auction*—Meaning public auction

(2) *Competitive Tender*—Meaning sales effected through contracts based on open or limited tenders

(3) *Private Treaty*—Meaning a sale based on offers written or oral from one person or firm

3 Experiments carried out in 1939-40 showed that better average prices were on the whole obtained by the sale of Gunny Bags and Typewriters by Auction than by Competitive Tenders

4 Waste, Scrap Metals and Machinery are sold both by Auction and by Competitive Tender Owing to the wide dispersion of accumulations of Metals and Machinery which cannot be used by Ordnance Factories, it has been found that the best method of selling these commodities in peace time is by the preparation of lists showing the location of the metals and calling for tenders from the trade The sale by Auction of small quantities of waste metal all over India does not always attract the big buyer.

5 In general, whenever it is possible to sell stores by Auction this is done. Sale by private treaty is adopted only when sale by Auction or Competitive Tender is uneconomical

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REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

Part I.—Civil, Posts and Telegraphs and Defence Services.

Financial results of the year.—The following table compares the original and final grants and appropriations with the actual expenditure for the year:—

(In lakhs of rupees)

	Original grant or appropriation.	Final grant or appropriation.	Actual expenditure.
Expenditure charged to revenue (voted) ..	23,99	25,53	31,99
Expenditure charged to capital (voted) ..	18	37	15
	24,17	25,90	32,14
Disbursements of loans and advances (voted) ..	96	1,21	1,18
Total (voted)	25,13	27,11	33,32
Expenditure charged to revenue (non-voted) ..	79,08	74,75	74,95
Expenditure charged to capital (non-voted) ..	8	9	4
	79,16	74,84	74,99
Disbursements of loans and advances (non-voted)	..	8	7
Total (non-voted)	79,16	74,92	75,06
Total expenditure charged to revenue ..	103,07	100,28	106,94
Total expenditure charged to capital ..	26	46	19
Total disbursements of loans and advances ..	96	1,29	1,25
Grand Total ..	104,29	102,03	108,38

There was thus a total excess of Rs 635 lakhs or 6·22 per cent over the final grant.

The following table compares the percentages of savings (—) or excesses (+) in the main section of the budget for the last five years:—

	1935-36	1936-37.	1937-38.	1938-39	1939-40.
Expenditure charged to revenue	— 56	— 35	—·73	—1·32	+6 64
Expenditure charged to capital ..	—6·99	—16·73	—31 4	—11·59	—58·69
Disbursements of loans and advances	—8·79	—50·82	—9·52	—11·49	—3·10
Combined percentages .	—1·69	—3·21	—1 24	—1·74	+6·22

Unlike the previous four years when savings occurred under all the three sections separately as well as together, the accounts of the year 1939-40 show appreciable excesses both in the Revenue section and in expenditure as a whole. These excesses are, however, entirely fortuitous and due to the fact that the

actual revenue surplus of the year (Rs. 7,77 lakhs), which was credited to an *ad hoc* deposit head by debit as extraordinary expenditure under cover of a specific supplementary grant voted by the Legislature, turned out to be much larger than the estimated surplus (Rs. 91 lakhs). If this disturbing element were to be eliminated both from the total final grant and appropriation and the total expenditure, the net result would be a saving of Rs. 51 lakhs; expenditure charged to revenue would show a saving of ·2 per cent. and the combined percentages for the year would be —·5.

2. In the following cases actual expenditure exceeded the grants voted by the Assembly :—

Item No.	Name of Grant.	Final Grant.	Actual expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
1	6.—Provincial Excise	4,58,000	4,65,739	7,739
2	23.—India Office and High Commissioner's Establishment charges	19,57,000	19,65,467	8,467
3	28.—Ports and Pilotage	13,25,000	13,28,536	3,536
4	38.—Education	6,53,000	6,53,017	17
5	59.—Mint	23,99,000	24,09,537	10,537
6	65.—Grants-in-aid to Provincial Governments	1,16,'00	1,16,200	200
7	67-A.—Transfer to Revenue Reserve Fund ..	91,30,000	7,77,16,233	6,85,86,233
8	71.—Andamans and Nicobar Islands ..	35,60,000	35,89,101	29,101
9	75.—Capital Outlay on Vizagapatam Harbour	39,000	45,697	6,697

The reasons for these excesses are briefly explained below :—

Item 1.—Chiefly due to arrear claims having been paid during the year.

Item 2.—Mainly due to smaller recoveries of (*i*) surcharges on stores supplied to the Central Commercial Departments and to Provincial Governments and Burma owing to reduction in indents and (*ii*) Provincial Governments' share of the cost of High Commissioner's establishment on account of disbursements on their behalf falling short of the anticipated figure, partly counterbalanced by saving in expenditure.

Item 3.—Due to more consumption of coal during the present emergencies.

Item 4.—This is a petty excess.

Item 5.—Mainly due to expenditure on air raid precautions and loss on coinage operations in the Bombay Mint.

Item 6.—The excess is petty.

Item 7.—Represents the excess of actual revenue surplus over the anticipated surplus.

Item 8.—Mainly due to unexpected rise in prices of stores due to the war and heavy influx of volunteer convicts during the year.

Item 9.—Due to the actual expenditure incurred in connection with appeal in a land acquisition case having exceeded the available provision

We recommend that the necessary excess grants be voted by the Legislat[illegible] Assembly.

3. *Minutes of Proceedings.*—We append the minutes of our proceeding[illegible] which we desire, as usual, to be regarded as part of our report. In the following paragraphs we refer only to some of the more important questions considered in the course of our examination.

4. *Accuracy of budgeting and control over expenditure*—The statistical results of the year have, as indicated above, been completely vitiated by the complication caused by the actual revenue surplus of the year turning out to be Rs. 6,35,26,000 more than was anticipated. Leaving this extraordinary item out of account, we are glad to see that, the percentages of actual expenditure to the total final grant and appropriation are better than they have been for the previous four years under all heads with the exception of expenditure charged to capital. This result is all the more commendable as the outbreak of war in the middle of the year contributed greatly to the difficulties in the way of budgeting, introducing an element of disturbance in many of the budget calculations The result of this disturbance we have had occasion to notice while dealing with the detailed accounts of Grants and Appropriations. The large percentage variation under the head "Expenditure charged to Capital" is explained by a saving of Rs 19 lakhs in Grant No. 77—Commuted Value of Pensions and of Rs. 7 lakhs in Grants Nos 72 and 73 of the Posts and Telegraphs Budget. Though we realise that the expenditure charged to capital is small and that consequently comparatively small savings are magnified when expressed in terms of percentages and though we appreciate that the control of expenditure in Grant No 77 is extraordinarily difficult, we trust that it will be found possible to prevent such large variations in future.

5. *Works Expenditure*—The percentage of savings on the consolidated provision for works included under all the grants and non-voted appropriations was 10 04 during the year 1939-40 This result represents a very considerable improvement over the results of the four preceding years and we are pleased to see that our continued iteration of the necessity of improving budgeting for works and the suggestions we have made from time to time have now borne fruit. We notice that in the year under review no lump cut for probable savings was made in the budget and this has been explained as being due to the fact that provision included in the budget estimates for 1939-40 was confined to items which were of an inescapable nature or were remunerative. From the continued existence of comparatively large savings under 'Works', we are inclined to believe that no matter how imperative the nature of the work may be, the usual features of previous years, such as late sanction of estimates, postponement of works owing to non-completion of preliminaries, changes in designs, delay in land acquisitions, delay in the preparation of estimates and the like, cannot be completely eliminated and we suggest therefore that the system of lump-sum cuts, which we have on more than one occasion previously recommended, should continue

We have also had cause to notice that in some Grants and Appropriations there has been expenditure on an appreciable number of major works for which specific provision had not been made in the budget. We would suggest that the programme for major works for the ensuing year should be thought out with great care at the time budget estimates are prepared and should thereafter, as far as practicable, be followed. Though we do not desire unduly to restrict the discretion of Departments to vary this programme in order to meet genuinely urgent requirements which may arise during the course of the year, we would emphasize that large variations from the Works programme, particularly without full and adequate explanation, are in ordinary circumstances not justifiable.

6. *Unnecessary Supplementary Grants.*—We observe that during the year under review there were presented to the Assembly two demands for supplementary grants which eventually proved to be unnecessary. This was a slight setback from the record of the two previous years when no unnecessary supplementary grant was taken. One of these demands related to Grant No. 12.—Executive Council and the other to Grant No. 61.—Miscellaneous, the amount under the former being Rs. 13,000 and under the latter Rs. 3,65,000. We note, however, that in both these cases the demands proved to be unnecessary owing to conditions brought about by the war—in the first by the cancellation of the tours of Hon'ble Members of Council and in the second by large and unexpected recoveries of expenditure in sterling from His Majesty's Government. We are pleased to note that in neither of these cases can it be said that the instructions about presentation of supplementary demands to the Legislature, issued by the Finance Department and approved by us in 1936, have not been observed.

7. *English Expenditure.*—We note that our recommendation that the High Commissioner's estimates for leave and deputation salaries should be modified on the basis of the knowledge about leave programmes available in India, was put into effect, as far as it was possible to do so, in the framing of the last budget. We recognize, of course, that the full effect of the modification in procedure suggested by us will not be felt till normal conditions return and communications cease to be subject to delay; but we will be interested to watch the effects of this modification on English estimates in future.

8. *Modifications of Appropriation Accounts.*—During the course of our detailed examinations of the Appropriation Accounts it occurred to us that it might be advantageous to reduce the present percentage of 15 prescribed as the limit below which no explanation of a modification of the original provision under a sub-head should be given in the Appropriation Accounts. We are not, however, certain whether a reduction in this precentage would in actual practice lead to any improvement in the picture of budgeting and control as presented to us, nor can we judge whether the davantage, if any, gained will be commensurate with the increase in the work of Accounts offices which this proposal will involve. We have therefore requested the Auditor General to investigate the point before we make any recommendation.

We also noticed that in certain cases the amounts appearing under the sub-head "contingencies" were rather large and have asked that the possi-

bility should be examined of splitting up the sub-head in such cases in order to give a clearer idea of the nature of the items on which the money has been spent.

9. *Reconstruction of the Demands for Grants.*—We have had an opportunity of examining th [illegible]

10 *Report of the Military Accounts Committee.*—We append the report submitted by the Military Accounts Committee constituted to conduct a preliminary examination of the Defence Appropriation Accounts and connected documents We endorse the recommendations and suggestions made by the Committee both in their report and in the proceedings of their meetings.

Part II—Railways.

11. *Financial results of the year*—The following table compares the original and the revised estimates with the actual expenditure of the year under report:—

(In lakhs of rupees)

	Budget.	Revised	Actuals.
Traffic receipts (less refunds)	94,75	97,30	97,65
Miscellaneous receipts	1,71	1,69	1,71
Working expenses (including depreciation)	64,25	65,35	64,85
Miscellaneous expenditure	1,12	1,11	1,07
Interest charges..	28,96	28,92	29,11
Surplus (+) or Deficit (—)	+2,13	+3,61	+4,33
Contribution to general revenues	2,13	3,61	4,33

The year's working [illegible]
uti [illegible]
Th [illegible]
of [illegible]
end of the year

12. *Excess over voted grants.*—There were two excesses over voted grants as compared with six in the previous year.—

Grant.	Final Grant.	Actual Expenditure.	Excess.
	Rs.	Rs	Rs
1. 6.-A—Revenue— Working Expenses— Maintenance of Structural Works	7,74,50,000	7,89,71,656	15,21,656
2. 6.-D.—Revenue— Working Expenses— Maintenance of Ferry Steamers and Harbours.	28,32,000	28,88,691	56,691

Brief explanations of these excesses are given below :—

Item 1.—The excess was mainly due to the repayment to the Depreciation Fund of Rs. 48¼ lakhs (instead of Rs. 15 lakhs provided in the revised estimate) of the loan taken from the Fund in previous years for meeting the abnormal expenditure on the Hardinge Bridge Protection Works and earthquake damages and to increased repairs amounting to Rs. 14¾ lakhs to bridges and other structural works damaged by severe floods, etc. The excess was partly counterbalanced by savings and partly financed from the supplementary grant of Rs. 18·65 lakhs leaving an uncovered excess of Rs. 15·22 lakhs.

Item 2.—The excess was mainly due to increased expenditure on account of increase in traffic and to special repairs to vessels. A supplementary grant was voted by the Assembly but this proved inadequate.

We recommend that the necessary excess grants be voted by the Assembly.

13. *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual, to be regarded as part of our Report. In the following paragraphs we refer only to some of the more important questions considered in the course of our discussions.

14. *Accuracy of budgeting and control of expenditure.*—The accounts of the year show a total saving of Rs. 40 lakhs or 0·4 per cent. under Revenue expenditure (exclusive of withdrawals from and repayments to the Depreciation Reserve Fund) and a saving of Rs. 29 lakhs or 2·57 per cent. under Capital expenditure. This compares as follows with the results achieved in the four preceding years :—

Expenditure charged to Revenue (excluding appropriations to and from the Depreciation Reserve Fund).

(In lakhs of rupees.)

Year.	Final Grant and Appropriation.	Savings (—) or Excess (+)	Percentage of column 3 to column 2.
1935-36	98,52	—56	0·57
1936-37	98,51	—1,35	1·37
1937-38	98,30	+63	0·64
1938-39	99,64	+10	0 10
1939-40	1,00,52	—40	0 40

Expenditure charged to Capital and the Depreciation Reserve Fund.

(In lakhs of rupees.)

Year.	Final Grant and Appropriation.	Savings (—) or Excess (+).	Percentage of column 3 to column 2.
1935-36	14,85	—3,23	21·75
1936-37	11,18	—2,07	18·51
1937-38	10,70	—24	2·25
1938-39	13,50	+2	0·18
1939-40	11,30	—29	2·57

Although the position with regard to Revenue expenditure shows a nomi deterioration from ·10 to ·40 per cent., we are pleased to see that the actu expenditure has corresponded so closely to the total final grant and appr priation over a number of years. Expenditure outside the Revenue Account shows a deterioration from ·18 per cent to 2·57 per cent This deterioration is, however, only apparent as the figure for last year was so small owing to large compensating variations in Grants Nos 11 and 12 We observe that this figure compares very favourably with those for 1935-36 and 1936-37 and is only slightly higher than that for 1937-38. There is, of course, room for further improvement

15 *Unnecessary Supplementary Grants*—There were during the course of this year two cases (Grants 6-C and 6-H) in which supplementary grants proved totally unnecessary, and certain others in which more funds were applied for than were eventually found to be required. While we appreciate the reasons leading to the presentation of these Supplemetary demands and the reasons why expenditure did not eventually come up to expectatoins we would stress that great care should be taken before supplementary demands are presented to the Assembly; and we trust that the recommendations made in this regard in our Report on the Accounts for 1935-36 will not be overlooked

16. *Unsanctioned Expenditure.*—We took into consideration the note submitted by the Railway Board in pursuance of paragraph 14 of our Report on the Accounts for last year on the method of preparation of the statement of unsanctioned expenditure We accept the conclusion of the Railway Board that there is no necessity for any radical change in the rules regarding the preparation of formal estimates We also agree that the limit of Rs 10,000 observed hitherto in regard to the exhibition of the data of unsanctioned expenditure in the Appropriation Accounts is unnecessarily low and should be raised to Rs. 25,000 We trust that these changes will serve to concentrate our attention on matters that are really deserving of our notice and prevent the time of the Committee being taken up by matters which, though they may be technically objectionable, are not intrinsically of much importance We observe that the percentage of objectionable expenditure to expenditure audited was in 1939-40 only ·33 compared to ·58 in the previous year

17. *Financial Irregularities*—We devoted great care and spent considerable time on the examination of each of the financial irregularities mentioned in Chapter II of the Audit Report and we also gave some attention to the items of losses enumerated under each Grant We are on the whole of the opinion that the losses that have resulted have only occasionally been due to defects in system and we are satisfied that where a defect has been disclosed, adequate teps have been taken to remedy it In one or two instances we did not get omplete satisfaction from the explanations furnished and in one case we have ked that the matter be fully examined and a report made to us

18 *Losses on Strategic Railways*—We had some discussion on the point ether the losses on strategic railways should be included in the Defence get The present system is that the interest on the capital at charge of lines together with the losses on their working is borne by general revenues, deducted from the contribution that the Railways make to general

revenues each year. In view of the fact that the Defence Budget is no longer a contract budget and that it will make no ultimate difference to the incidence of this expenditure whether it is included in the Civil or the Defence side of the Budget, we agree that there is no necessity to change the present procedure with regard to the accounting of these charges, at any rate during the war.

19. We desire in conclusion to place on record our appreciation of the valuable assistance the Auditor General has rendered us throughout the sittings of this Committee.

A. J. RAISMAN.
J. RAMSAY SCOTT.
M. A. RAHMAN.
ABDUL HAMID.
S. RAZA ALI.
M. A. GHANI.
MOHD. AZHAR ALI.
LAKSHMI KANTA MAITRA.
R. D. DALAL.
H. M. ABDULLAH.
FAZL-I-HUQ PIRACHA.

B. K. NEHRU,
Secretary.

3rd September, 1941.

Proceedings of the 1st meeting of the Public Accounts Committee held o Monday, the 18th August, 1941 at 10-30 a.m.

PRESENT:

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I C.S., Finance Member. — *Chairman.*

Members:

- Moulvi MOHAMMED ABDUL GHANI.
- Mr. MOHAMED AZHAR ALI.
- Mr. J. RAMSAY SCOTT.
- Sir SYED RAZA ALI.
- Lieut.-Colonel M A. RAHMAN.
- Pandit LAKSHMI KANTA MAITRA.
- Dr. R. D. DALAL, C I.E.
- Khan Bahadur Shaikh FAZL-I-HUQ PIRACHA.
- Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B E.

Witnesses:

- Mr J. D. TYSON, C.B.E , I.C.S , Secretary, E. H. & L. Department
- Mr G S. BOZMAN, C.I.E , I C.S , Joint Secretary, E H. & L Department.
- Mr B. SAHAI, I.C.S., Secretary, Imperial Council of Agricultural Research.
- Sir CAMERON BADENOCH, C S.I., C.I.E , I C S , Auditor-General of India.
- Mr. P M RAO, Accountant-General, Central Revenues.

The Honourable Mr. C E JONES, C S I., C.I E , I C S , Financial Secretary

The Chairman first explained that as he and the majority of the witnesses appearing before the Committee had urgent work to do in connection with the war, it was proposed that meetings should be held in the morning only, starting at 10-30 a m , as was done last year

2. *Grant No 8-Forest.*—In connection with the saving in the voted section of the Grant which worked out at 6·2 per cent , it was explained that this was mainly due to the expenditure on leave and deputation salaries being below the average of previous years Owing to the outbreak of war there was an early return of officers to duty and curtailment of leave so that the appropriation for leave salaries had naturally been found to be excessive.

3. *Grant No 17-Department of Education, Health and Lands*—In regard the reappropriation under the sub-head "E.-Contingencies" a member sed the question whether this sub-head should not be split up to show the ails of the expenditure incurred so that it could be seen that a proper con- had been exercised It was explained that each item of contingent nditure is passed by the Controlling Officer and all bills and vouchers in

support of this expenditure are scrutinised in audit. Further, though certain detailed heads for different contingent expenditure are provided in the accounts for the purpose of control and for framing the budget estimates, these were not required in the appropriation accounts and their provision would be against the policy of the Public Accounts Committee that larger units of appropriation should be devised so as to lead to more accurate estimating.

4. *Grant No. 30—Survey of India.*—Attention was drawn to the large saving in the provision for stores from England ordered through the High Commissioner, particularly as there had been persistent savings on this account in the last few years. It was explained that the greater part of these savings was due to carrying forward of liabilities of one year to the following year. In addition to the Surveyor-General's estimates of his requirements of stores for the year, the High Commissioner invariably had a carry forward of stores which could not be supplied before the end of the preceding financial year. As at the present time the difficulties in obtaining supplies by the due date were considerably increased, and as any excess balance was surrendered and regranted next year, no change in procedure was considered desirable at present.

5. *Grant No. 33—Botanical Survey.*—In connection with the stock account of Government of India Cinchona bark, it was pointed out that the stock of bark had been verified without actual weighing. Though the amount of the stock had presumably been calculated from measurement of the volume of piles of bark, the Committee suggested that the possibility of a test check of quality as a safeguard against substitution over a number of years in addition to a quantitative check should be examined. The danger of substitution of inferior material has been brought home to the Committee by another incident reported in connection with the 1939-40 Accounts.

6. *Grant No. 35—Archaeology.*—With reference to item 8 of the statement of recommendations made in previous years (Appendix I) a note on the question of possible savings in the upkeep of gardens attached to ancient monuments (Appendix III) was submitted for the information of the Committee. The Department was not disposed to accept the proposal that municipalities should make a percentage contribution towards the upkeep of gardens attached to ancient monuments within their administrative areas, and the alternative of levying a charge for admission to all archaeological gardens was not considered desirable. It was pointed out that the proposal to retain the receipts from admission fees to meet the expenditure on the maintenance of the gardens was contrary to financial rules and moreover would provide no actual savings.

7. *Grant No. 37—Other Scientific Departments.*—In connection with item 7 of the statement of recommendations made in previous years, it was stated that as the appeal preferred by the Government of Bengal against the valuation of the Calcutta Museum buildings had been disposed of, the Corporation of Calcutta had again been addressed on the question of exempting the Museum from municipal taxes if the present small charge for admission on certain days was abolished, and their reply was still awaited.

8 *Grant No. 38—Education.*—The Committee agreed to recommend that the small excess incurred on this grant should be voted by the Assembly

9. *Grant No 41—Agriculture.*—Attention was drawn to the *proforma* account of the Sugar Excise Fund, which is kept to show the amount actually realised from the one anna of the excise duty per cwt allotted for this purpose and from the receipts of the Imperial Institute of Sugar Technology, the amount actually spent and the balance available for distribution. The complexity of the accounts was explained as due to the balances of unpaid receipts brought forward from previous years in two separate accounts, a *pro forma* account and a Sugar Excise Fund account, and it was stated that from the year 1940-41 a new accounting procedure had been adopted, whereby the amount set aside each year from the excise duty will be credited to the Fund in that year and a single account will show both these receipts and the disbursements on account of grants to Provincial Governments and others with the balance available for further expenditure on the objects of the Fund.

10. *Grant No 45—Civil Veterinary Services*—The financial results of the production of serums by the Imperial Veterinary Research Institute, Izatnagar, were examined. The Committee noted that the year 1939-40 closed with a profit of Rs. 64,115 against a profit of Rs. 24,807 in the previous year, partly due to larger output, and considered that the position disclosed was satisfactory.

Proceedings of the 2nd meeting of the Public Accounts Committee held on Tuesday the 19th August 1941 at 10-30 a. m.

PRESENT.

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member. *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.
MR. MOHAMED AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir SYED RAZA ALI
Lieut.-Colonel M. A. RAHMAN.
Pandit LAKSHMI KANTA MAITRA.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HUQ Piracha.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
Members.

The Honourable Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary. *Witness.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.

Mr. P. M. RAO, Accountant-General, Central Revenues.

11. *Accurac of budgeting.*—In examining the statistics of savings or excesses on the voted grants and non-voted appropriations, as compared with previous years, the Committee noted that unlike the previous four years when savings occurred uninterruptedly in the voted sections under revenue and capital expenditure, the accounts of 1939-40 show a large excess as compared with the final grant. It was explained that this excess was due to the transfer of the actual revenue surplus of the year to the Revenue Reserve Fund under the cover of a specific supplementary grant, and if this disturbing element was eliminated the net result would be a saving of 3·6 per cent. which compared favourably with the savings of the previous two years. The Committee appreciated that the outbreak of war had introduced an element of disturbance upsetting a great many of the budget calculations and that the excess over the original voted grant under revenue and capital expenditure was in a large measure due to causes directly or indirectly connected with the war. Making allowance for this fact, the Committee agreed with the conclusion recorded in the Audit Report that the improvement noticed last year in regard to both budgeting and control had been maintained during the year under review, though there still appeared to be scope for further improvement.

12. *Reconstruction of the Demands for Grants.*—In connection with item 11 of the statement of previous recommendations, the Committee took into consideration the memorandum (Appendix IV) on the revision of the Detailed Estimates and Demands for Grants which has been carried out by the Finance Department in consultation with the Auditor-General. The Finance Secretary

explained that the reduction in the size of the Demands for Grants

opinion as to whether the change should be adopted as a permanent measure on the return of normal times, agreed to the proposal for the period of the war

13 *Leave and deputation salaries* —With reference to item 9 of the statement of previous recommendations, the Committee considered the note submitted by the Finance Department (Appendix V) It was explained that owing to the great delay in communications on account of the war full details of the High Commissioner's estimates had not been received by the time the budget was prepared though broad summaries under each head were obtained by telegram and circulated to the Departments Therefore while the practice of modifying the High Commissioner's estimates in consultation with the authorities in India would be continued, it would not be possible to ascertain the extent of the improvement capable of being brought about by this procedure until normal conditions returned

14 *Grant No 7—Stamps* —The Financial review of the working of the Security Printing Press, Nasik, was examined, and it was noted that the year 1939-40 had been one of steady progress There had been an all-round rise in the demand for the products of the Press, and this together with certain

15 *Grant No 23—India Office and High Commissioner's Establishment Charges* —The small excess of Rs 8,467 on this Grant was explained as due to smaller recoveries on account of stores supplied to the commercial departments of the Central Government and to the Provincial Governments which were governed by variable factors and could not be estimated with precision The Committee agreed to recommend that the excess should be voted by the Assembly

16. *Grant No 59—Mint* —With reference to item 14 of the statement of last year's recommendations, a note (Appendix VI) was submitted on the formation of a Reserve Fund from the profits from the circulation of small coin to meet losses on the return of such coin in periods of trade depression It was explained that with effect from the current year only a sum of Rs. 45 lakhs from the profits from the circulation of small coin was being taken to revenue, and that the balance over this figure was to be credited to a suspense

account which would be available to even out the receipts over a series of years. The Committee approved of the adoption of the new procedure which was designed to keep the revenue receipts from this source stable from year to year and thus to mitigate, instead of aggravating, the difficulties experienced from the large return of small coin from circulation in years of depression.

There was a small excess of Rs. 10,537 in this Grant caused mainly by expenditure on Air Raid Precautions and loss on coinage operations in the Bombay Mint which the Committee agreed to recommend for regularisation by the Assembly.

17. *Grant No. 65—Grants-in-aid to Provincial Governments.*—There was a petty excess of Rs. 200 in this Grant due to this sum having been paid in excess of the original appropriation to the Coorg Government. The Committee agreed to recommend the regularisation of the excess by a vote of the Assembly.

18. *Grant No. 67—A—Transfer to Revenue Reserve Fund.*—The large excess under this head was explained to be due to the fact that the actual revenue surplus for the year, which in accordance with the decision of Government was to be credited to an *ad hoc* deposit head by debit to expenditure, turned out to be much larger than estimated. The special supplementary grant obtained from the Legislature on account of the transfer to the Revenue Reserve Fund had been based on the revised estimates for the year, and as the actuals were not known until some months after the close of the year the final excess could not be covered. The Committee decided to recommend that the excess should be regularised by a vote of the Assembly.

19. *Grant No. 77—Commuted Value of Pensions.*—Attention was drawn to the fact that the additional appropriation sanctioned during the year in the non-voted section of this grant had proved unnecessary and that the final saving had worked out at 50·97 per cent. as against the saving of 15·08 per cent. in 1938-39 and 17·65 per cent. in 1937-38. It was explained that the control of this Grant was particularly difficult as it was impossible to forecast accurately the number of applications which would be received. In response to a query about the administration of this Grant, the Committee were assured that all such applications for the commutation of pensions were allowed unless there were objections on medical grounds.

Proceedings of the 3rd meeting of the Public Accounts Committee held on Wednesday the 20th August, 1941, at 10-30 a. m.

PRESENT

The Honourable Sir JEREMY RAISMAN, K C S I, C I.E., I C S, Finance Member—*Chairman*.

Moulvi MOHAMMED ABDUL GHANI

Mr MOHAMED AZHAR ALI

Mr. J. RAMSAY SCOTT

Sir SYED RAZA ALI.

Lieut-Colonel M. A RAHMAN

Pandit LAKSHMI KANTA MAITRA

Dr R D. DALAL, C I.E.

Khan Bahadur Shaikh FAZL-I-HUQ PIRACHA

Khan Bahadur Sir ABDUL HAMID, C I E, O B E.

} *Members.*

Mr. J F SHEEHY, C S I. I C S. Member, Central Board of Revenue.

Mr K K. CHETTUR, First Secretary, Central Board of Revenue

The Honourable Mr. S N. ROY, C.S I. C I.E, I C S, Secretary, Communications Department.

Sir FREDERICK TYMMS, C.I E, M C, Director of Civil Aviation

Mr. M. K SEN GUPTA, Financial Adviser, Communications

Mr A. D. GORWALA, I.C S., Deputy Secretary, Communications Department.

Prof A S. BOKHARI, Controller of Broadcasting.

} *Witnesses*

SIR CAMERON BADENOCH, C.S.I., C.I.E., I.C S, Auditor-General of India

Mr. P. M RAO, Accountant General, Central Revenues.

The Honourable Mr C. E JONES, C S I., C.I.E, I C.S., Financial Secretary

20. *Grant No I—Customs*—With reference to the *pro forma* accounts f receipts and expenditure relating to overtime and holiday fees, it was plained that it was not the intention of Government to make any profit out the levy of these penalties and fees and it was for this reason that payments re made out of these amounts to Seamen's and Custom's Welfare Institu- ns The excess of receipts over expenditure was, however, credited to eral revenues

With reference to the variations under 'Establishment Charges paid to other Governments, Departments, etc.', it was stated that the system for collection of customs duties on articles consigned by post was that the Posts and Telegraphs Department collected the duty and charged four annas per parcel in order to recoup themselves for the expenditure incurred.

21. *Grant No. 2 -Central Excise Duties.*—It was explained that the decrease in payments to the Indian States of their share of Match Excise Duty was due to complete figures not being available before the close of the year. In order to avoid this difficulty it had now been decided that in future payments would be made a year in arrears.

22. *Grant No. 3 Taxes on Income including Corporation Tax.*—With reference to paragraph 49 of the proceedings of the Committee for 1938-39, it was stated that statistics were now being compiled by the new mechanical process and that next year's budget estimates would be based on the statistics so compiled.

23. *Grant No. 4--Salt.* -The variations in the sub-head "A. (2)" were explained as being due to the decision to split up the Northern India Salt and Central Excises Department into two offices, each under the control of a Collector, one for North-Western India and one for North-Eastern India, from the 1st April 1939. This necessitated the establishment of a new office at Calcutta with its incidental expenses. These had been counterbalanced by the cessation of payments formerly made to the Government of Bengal who used to perform these functions on behalf of the Government of India. The Committee were glad to note that the new arrangements were considered to be more economical and more satisfactory than the old ones.

The point was raised that the charges for printing match banderols should be taken directly to the Demand for Central Excises instead of first being debited to 'Salt'. It was stated that as the Departments of Central Excises and Salt were run on a joint basis and there were a large number of charges which had to be shared between the two, it was more convenient to lump them all together and then to transfer a portion of the total charges to the Department of Central Excises instead of attempting to take direct debits to the latter head. The Committee agreed that the present procedure should continue.

The Committee commented on the apparently large amount of wastage in salt written off in Bombay. It was explained that this wastage occurred mainly at the Kharaghoda Works from two large salt heaps which were stored in the open and had been exposed to two monsoons.

It was explained that the large apparent decrease in Government capital invested in Salt Works during the year 1939-40 was due mainly to a reduction in stocks due to heavy indents on salt having been made owing to war conditions. The Committee were glad to note that the profits of the Salt Manufacturing Branch were higher in 1939-40 than in the previous year.

24. *Grant No. 6—Provincial Excise.*—There was an excess in this grant of Rs. 7,739 for which a supplementary grant had not been obtained as it was

considered that the excess would not materialise The Committee agreed recommend the regularisation of this excess by a vote of the Assembly

25. *Grant No 31—Meteorology* —The Committee noted that there ha[s] been persistent overbudgeting in this grant, but were gratified to see that th[e] percentage of savings, which had been steadily rising from 1935-36 to 1938-39 when it reached 7 4, had this year fallen to 2 05

26 *Grant No 47—Aviation* —Attention was drawn to the large percentage of savings in this Grant over a series of years It was explained that during the year under review the final saving in the Grant was due entirely to the fact that a sum of Rs 6 lakhs for which provision had been made for payment towards the share capital of the Indian Trans-Continental Airways Limited, could not be paid and that but for this saving there would have been an excess of Rs 1,80,000 It was explained that this payment was not made because certain "Ensign" land planes, which were required for the England-India Section of the Empire Air Service, could not be made available owing to the outbreak of the war and that it was for the same reason that no other arrangements to obtain other aeroplanes in substitution for these could be made.

27. *Grant No 48—Capital Outlay on Civil Aviation charged to Revenue* —Objection was taken to the large number of delays in the preparation of estimates and in settling technical details and the like, which had taken place during the year under review, owing to which funds could not be spent on the items for which they had been provided It was explained that great caution was necessary in incurring large sums of expenditure on capital account in matters of this kind and that progress had been slow because it was not considered wise to take the risk of capital assets being wasted It was further explained that a large part of the savings were utilised on urgent works which were necessary for war purposes The Committee were of the opinion that the original appropriations were too large and that their inclusion in the budget estimates was premature The Committee noted that the percentage of saving during 1939-40 was higher than in 1938-39 and that this was probably due to the fact that a lump deduction for probable savings was not made in the year under review They desired to stress yet again their previous recommendation that lump cuts should be applied vigorously in the provision for works expenditure at the time of the budget estimates

28 *Grants Nos 49 and 50—Broadcasting and Capital Outlay on Broadcasting charged to Revenue respectively* —The Committee were informed that luring the year under review three new transmitting stations had been oened at Dacca, Trichinopoly and Delhi respectively, and that further hemes for the opening of new transmitting stations were under considera-n

The Committee were gratified to learn that the 'Indian Listener' had 'n a profit for the first time this year since its inception. They were also ed to note that the loss on all the publications which the All-India Radio thes had been reduced very considerably during the year under review mpared to the previous year

29. *Grant No. 75—Capital Outlay on Vizagapatam Harbour.*—With reference to item No. 15 in the statement of outstanding recommendations, it was stated that the Bengal-Nagpur Railway had been addressed in the matter and that their reply was being awaited. The Committee were glad to see that the receipts of the Vizagapatam Port increased and the expenditure decreased in 1939-40 as compared with 1938-39. The Committee agreed to recommend the excess in this Grant for regularisation by a vote of the Assembly.

Proceedings of the fourth meeting of the Public Accounts Committee held on Thursday, the 21st August 1941, at 10-30 a. m.

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member—*Chairman*.

Moulvi MOHAMMED ABDUL GHANI
Mr. MOHAMED AZHAR ALI.
Mr. J. RAMSAY SCOTT
Sir SYED RAZA ALI
Lieut-Colonel M. A RAHMAN
Pandit LAKSHMI KANTA MAITRA.
Mr. H. M. ABDULLAH.
Dr. R. D. DALAL, C I E.
Khan Bahadur Shaikh FAZL-I-HUQ Piracha.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O B.E.

} *Members*.

The Honourable Mr. H. C PRIOR, C I.E, I C.S, Secretary, Labour Department *Witness*

Sir CAMERON BADENOCH, C.S I., C.I.E, I C.S, Auditor General of India.

Mr. P. M. RAO, Accountant General, Central Revenues

The Honourable Mr C. E Jones, C.S I, C I E., I.C.S, Financial Secretary

30. *Grant No 60.—Civil Works.*—The Committee were gratified to see that the saving in the voted portion of this Grant was 4·75 per cent in the year under review as compared to 23·12 per cent in 1938-39 and 5·1 per cent in 1937-38. They regarded this result as displaying a considerable improvement on the results of the previous years The percentage of saving on the total non-voted final appropriation was 1·2 against ·36 in the previous year This was mainly due to the postponement of two major works, namely, the construc-tion of the Residency buildings in Bahrein and the construction of a block of lats and servants' quarters in the Viceregal Estate, Simla, which alone ac-ounted for a saving of Rs. 2,04,000 It was stated that the extension and nprovements of the pilgrims' camp at Karachi, the postponement of which d been the subject of criticism by the Committee in the previous year, had en completed during the year under review

Review of Works Expenditure.—In reviewing the Works Expenditure as a le the Committee were pleased to note that the percentage of savings in the olidated provision for works included under all the grants and non-voted opriations was only 10 01 during 1939-40 as compared with 47 78 in the ous year and figures of almost the same order in the remaining three years last quinquennium. The Committee noted that although the usual fea-of previous years, such as late sanction of estimates, postponement of

works, etc., had continued to operate, their cumulative effect on producing savings was less marked than in the previous years. The result of the year was all the more satisfactory because no lump cut for probable savings had been made in the budget estimates of the year. The absence of a lump cut was explained as being due to the fact that the provision included in the budget estimates for 1939-40 was confined to items which were considered to be either of an absolutely inescapable nature or were remunerative. The Committee noted that savings in works occurred mainly in Grant No. 48.—Capital Outlay on Civil Aviation and in the appropriation 'Baluchistan', the grants in respect of which are controlled by the Departments of Communications and External Affairs, respectively.

31. In connection with this Grant, the Committee reviewed the powers of sanctioning works and of sanctioning reappropriations therefor, which had been delegated to the departments of Government and to individual officers. The Committee were informed that the present delegation of powers was so designed as to ensure the maximum elasticity in administration with the maximum of financial control and they agreed that no change in the present system was at the moment necessary.

32. The Committee reviewed the *pro forma* accounts of the Central Public Works Department Nursery at Jurbagh and were gratified to note that there had been an improvement in the management resulting in a profit of Rs. 3,915 against a deficit of Rs. 5 872 during the previous year.

33. *Grant No. 63—Stationery and Printing.*—Attention was drawn to the savings under the various sub-heads 'Pay of Establishments' in this Grant. It was explained that these savings were not due to any policy of retrenchment, or of keeping vacancies deliberately unfilled, but were due to the normal course of events in which men of higher grades retired, and it took some time to fill the vacancies resulting from these retirements. The Committee considered that this disclosed that sufficient deductions had not been made from these heads at the time of framing the budget on account of probable savings, and desired that adequate deductions should be made in future.

34. In connection with the Commercial Accounts of the Government of India Presses, it was noticed that the increase in the expenditure on the Presses compared with the previous year was primarily due to contribution having been made to the Depreciation Fund during the year, while none was made in the year before. It was explained that this omission in the previous year was not due to any desire to show artificial economy in the working of the Presses, but that the Depreciation Fund had reached a very large figure (about Rs. 11 lakhs) owing to contributions to it having been made on an unnecessarily high scale in the past, and it was not considered necessary to go on increasing the Fund. The decision to omit contributions to it was taken with the full approval of the Auditor General. It was further explained that the whole question of the contribution to be paid to this Fund in future was now under investigation.

35. With reference to paragraph 301(*c*) of the Commercial Appendix to the Appropriation Accounts (Civil), 1939-40 and the Audit Report, 1941, it was explained that the stock-taking was not done by the store-keepers themselves,

but by the officers of the Press deputed by the Manager for the purpose The Committee stated that as long as the verification of stocks was not made by the person holding direct charge of the stocks, they had no objection to this course being followed.

36 In reviewing the Grants for which the Department of Labour was responsible, the Committee felt that judging by the number of Grants in which there had been savings, there seemed to be a tendency to overbudgeting which they trusted would be remedied in future.

The Committee then adjourned till 10·30 A.M on Friday morning

Proceedings of the 5th meeting of the Public Accounts Committee held on Friday, the 22nd August, 1941, at 10-30 a. m.

PRESENT:

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member—*Chairman.*

Moulvi MOHAMMED ABDUL GHANI.
Mr. MOHAMED AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir Syed RAZA ALI.
Lieut.-Colonel M. A. RAHMAN.
Pandit LAKSHMI KANTA MAITRA.
Mr. H. M. ABDULLAH.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HUQ Piracha.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
—*Members.*

The Hon'ble Mr. E. CONRAN-SMITH, C.I.E., I.C.S., Secretary, Home Department.
Sir RICHARD TOTTENHAM, C.S.I., C.I.E., I.C.S., Additional Secretary, Home Department.
Mr. J. HENNESSY, Principal Information Officer.
Mr D. C. DAS, I.C.S., Under Secretary, Home Department.
Mr. MUKUNDLAL CHOPRA, Representing the Delhi Administration.
Mr. O. K. CAROE, C.S.I., C.I.E., Secretary External Affairs Department.
Mr. V. B. ARTE, Under Secretary, External Affairs Department.
—*Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. P. M. RAO, Accountant General, Central Revenues.

The Honourable Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.

Home Department.

37. With reference to item 18 of the statement of outstanding recommendations, it was stated that exhaustive instructions as to the action to be taken by the Head of a Department or office as soon as a case of defalcation or fraud comes to his notice had already issued and that there hardly seemed to be a case for issuing further general orders in the matter. The Auditor General stated

that he was satisfied that the orders in force fully met the needs of the case and any further elab... was necessary fc... The Committee... laid before them.

38. *Grant No. 12—Executive Council.*—It was noted that a supplementary demand for Rs. 13,000 had been presented for this Grant, but that it had ultimately proved unnecessary. It was explained that there had been an unexpected saving owing to the cancellation of the tours of members of the Executive Council following upon the declaration of war On an enquiry by a Member it was stated that the pay of the new Members of the Executive Council had been fixed at Rs 5,500 per month, while the existing Members of Council had voluntarily agreed to have their salaries reduced to this sum

39 *Grant No. 15—Home Department.*—With reference to sub-head ' B.—Bureau of Public Information ', it was suggested that it would be desirable to gather together in one place all the amounts spent on propaganda, these being scattered about at present over a number of grants and appropriations. It was explained that with the establishment of a new Department of Information, a new demand would probably have to be opened which was expected to accommodate all expenditure on Publicity This would meet the point raised.

40. *Grant No. 27—Police.*—It was explained that the surrender of the entire non-voted appropriation of Rs 22,000 in this Grant was due to the refusal, owing to the oubreak of war, of leave to officers who would otherwise [illegible]

estimation of English charges.

41. *Grant No 68—Delhi* —As the Area Demands are composed of a number of ' Accounts ' and a very large number of sub-heads, all of which are not administered directly by the Department responsible for the control of the Grant as a whole, which is not properly able to defend detailed items in the Grant except with the aid of the Department directly concerned, the Committee desired that the ' Key-statement ' should, in future, show those portions of the Area Demand which are controlled by Departments other than the Department responsible for the Demand as a whole, against the Departments responsible for the individual sub-heads

42 *With reference to sub-head ' D —Transfers to the General Police Fund '* in Account V —Police, it was explained that the modification of the original Demand was due to the abolition of the General Police Fund This Fund, which was established under the Police Act of 1861 and which had its counterparts in most of the Centrally Administered Areas as well as the Provinces, was financed partly from the receipts of levies for punitive police and partly from receipts in connection with police employed for the benefit of private individuals and firms. The charges made to private employers included an element of indirect cost, while only the direct costs were credited to genera

revenue, the remainder being credited to the Fund. The Fund was abolished because the Government of India Act, 1935, had made the continuance of such a Fund illegal and similar funds in the Provinces as well as in other Centrally Administered Areas had been or were being abolished.

43. *Grant No. 71—Andamans and Nicobar Islands.*—There was an excess of Rs. 29,101 in this Demand, due mainly to large excesses in various subheads of Account I, counterbalanced by savings in Account II, for which a supplementary grant could not be obtained. The Committee agreed to recommend the regularisation of this excess by a vote of the Assembly.

44. With reference to sub-head F. 2.—'Education' in Account I, the Committee wished to know what amount had been spent separately on primary and secondary education and on grants-in-aid to private schools. This information is not available from the Accounts in the manner in which they are now presented. It was explained that it would involve additional accounting to exhibit the information in the form in which the Committee wanted that it should be shown. The Committee, however, desired that the question whether it is not possible to exhibit this information in the Accounts without undue elaboration, should be investigated by the Finance Department and the Auditor General, and a report submitted to it in due course.

45. The Committee expressed themselves as not quite satisfied with the present rule that no explanation of a modification of the original provision under a sub-head should be given in the Appropriation Accounts unless the modification amounted to more than 15 %. The Committee were tentatively of the opinion that the limit of 15 per cent. should be reduced to 10 per cent. but before making any recommendation on this point they desired the Auditor General to investigate and report in consultation with the Finance Department whether a reduction in the percentage limit below which no explanations are required, would in practice lead to any improvement in the picture of budgeting and control as presented to the Committee.

External Affairs Department.

46. *Tribal Areas.*—With reference to Note 5 of the Appropriation Accounts on this appropriation, it was explained that the original orders of the Government of India regulating the grant of 'good conduct and good service pay' to the personnel of the Zhob Militia and the Mekaran Levy Corps were drafted in an ambiguous manner and were capable of more than one interpretation. One interpretation of these orders was followed till 1937, when the Inspecting Officer of the Frontier Corps took over the supervision of Baluchistan formations, and suggested that the interpretation given to these orders was wrong. This contention was upheld and the amounts which had been paid under the previous interpretation of the rules were written off. The Committee agreed that, in the circumstances, the write-off was justified.

47. In connection with the items of Secret Service Expenditure, it was explained that the Finance Department had laid down, in regard to each item of secret expenditure in all the Grants and Appropriations, which particular officer was to administer the expenditure and to give the necessary certificate to Audit that the expenditure had actually been incurred. As pointed

out in the Audit Report, all such certificates for secret service expenditure relating to the year under review had been received and accepted by Audit

48 It was noticed by the Committee that under certain sub-heads of this

rate detailed sub-heads had been shown for clothing and arms and ammunition, in other cases, as in A_2—South Waziristan Scouts, or A_6—Tochi Scouts,

it would not be desirable to split up the head 'Contingencies' under "Tribal

this matter in due course

49 With reference to the Works Expenditure in Baluchistan and the Tribal Areas, the Committee noticed that there was an appreciable number of major works in both appropriations on which there had been expenditure but for which specific provision had not been made in the budget. It was ex-

50. With reference to item No. 19 in the statement of outstanding recommendations, it was stated that His Majesty's Government, who had been approached, disered that a decision on the question of the incidence of Persian Gulf expenditure should be postponed till the end of the war. The Government of India had accepted this suggestion and the Committee agreed that the question should be postponed

The Committee then adjourned till 10-30 A.M on Monday the 25th August

Proceedings of the 6th meeting of the Public Accounts Committee held on Monday the 25th August, 1941, at 10-30 a. m.

PRESENT:

The Honourable, Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member— *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.
Mr. MOHAMED AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir Syed RAZA ALI.
Pandit LAKSHMI KANTA MAITRA.
Mr. H. M. ABDULLAH.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZLI-I-HUQ Piracha.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
} *Members.*

Mr. W. H. SHOOBERT, E. D., I.C.S., Director General of Posts and Telegraphs.
Mr. M. K. SEN GUPTA, Financial Adviser, Communications.
Mr. P. J. EDMUNDS, Chief Engineer, Posts and Telegraphs.
Mr. A. K. ROY, Assistant Financial Adviser, Communications.
} *Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. M. SUBRAMANIAM, Accountant-General, Posts and Telegraphs.

The Honourable Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.

Posts and Telegraphs Department.

51. With regard to the recommendation made last year (item No. 16 of Appendix I), that the ex-gratia payment of interest on Post Office Cash Certificates held in excess of the prescribed limit should not be treated as infructuous payments, it was stated that this was not now done and that such cases were not now included in the list of losses.

52. With reference to the recommendation (item No. 17 of Appendix I) that the question of increasing the stock limit for stores should be considered, it was stated that the stock limit had been increased provisionally from 21 lakhs to 34 lakhs for general stores. The policy of the Department was to

build up stocks, but owing to the difficulty in obtaining stores during war-time and to the increase in the rate of issue due to increased activity, it had not been possible to attain this figure. The production in the Posts and Telegraphs Workshops was being speeded up as rapidly as possible and it was hoped that they would produce stores of the value of Rs 72 lakhs in 1942-43, the corresponding figures for 1938-39 and 1940-41 being about Rs 22 lakhs and 40 lakhs respectively.

53. The Committee then considered the financial review of the year's working of the Department It was noted that the Telegraph Branch showed a loss during the year of only Rs 2,000 as against much greater losses in previous years. The improvement in the working of this Branch was considered to be due largely to the additional traffic caused by the war In answer to an enquiry why the Telegraph Branch had consistently shown a loss over a period of years, it was stated that the main reasons were that in India the net-work of telegraph lines had to cover enormous distances resulting in a relatively large amount of capital being invested and that there was before the war some unused capacity both in staff and equipment

54 With reference to the Radio Branch which showed a profit of Rs. 48,000 during the year, it was stated that the service was chiefly used by Shipping and Civil Aviation From the latter, charges are recovered on a no-profit basis.

55. The Committee were gratified to note that the Department as a whole had made a profit during the year of Rs 89,59 lakhs About Rs 7½ lakhs of this had been paid to general revenues to clear the arrears of press losses brought forward from previous years and the remaining Rs. 82 lakhs now stood at the credit of the Department. It was stated that from the year 1940-41 the arrangement for the disposal of the profit of the Department was that the revenue due to the increase in rates made in 1940, which increase was designed to be a measure of taxation, should be transferred outright to general revenues The estimated yield of these increased rates was 33 lakhs in 1940-41 and is 100 lakhs in 1941-42. Further, as the recent surpluses of the Department were largely due to war conditions and Government traffic had contributed substantially to them, it had been decided that on the accumulated surplus beyond 100 lakhs the Department would not be credited with any interest.

56. The Committee next considered the memorandum (Appendix VII) regarding inter-branch adjustments for rent of telephone trunk wires, the capital cost of which is debited to the Telegraph Branch It was explained that the present rules of allocation between the telegraphs and telephones were unfair to the former. The modifications proposed were considered to form a fairer basis of allocation and would result in the Telegraph Branch receiving about Rs. 4 lakhs more from the Telephone Branch than under the procedure hitherto followed The Committee agreed that the new rules were more equitable and approved of their introduction, with effect from the accounts for 1940-

57. The Committee next considered the memorandum on the computation of the value of stamps used for telegraph purposes (Appendix VIII). It was explained that meticulous calculations for purposes of inter-branch adjustments were hardly necessary and that even an error as large as two per cent

in the correct computation of postage stamps used for telegrams would result in an error in the allocation of charges of not more than about Rs. 2 lakhs. The Committee agreed that as by discontinuing the present system of direct computation, the staff could be more profitably utilised, the system should be discontinued and the system of the half-yearly count, which alone was in force previously, would suffice for the purpose.

58. The Committee then took up the consideration of the Audit Report. They noted that the reduction of Rs. 100 made by the Legislative Assembly in the original Demand for Grant No. 10 was, in distributing the Grant, taken under sub-head 'C.—General Administration' which on the year's working showed an excess over the final grant. The reduced Grant as a whole was, however, not exceeded. The Committee were of the opinion that when a reduction was made by the Assembly in the Grant as a whole, it was desirable to show it under a separate Abstract of the Grant.

59. The Committee noted that in Grant No. '74.—Capital Outlay on Telephone Projects' there had been a saving of Rs. 13,85,000 or 39·6 per cent of the original estimate. It was admitted that budgetting in this Grant had been defective and that the Telephone Development Fund being new, adequate methods had not yet been worked out for the control of expenditure in this Grant. It was also explained that the bulk of savings were due to unforeseen works, for which provision had been made in the budget, not materialising during the course of the year.

60. Attention was also drawn to the large saving of 24·6 per cent in Grant No. '72.—Indian Posts and Telegraphs Department'. These savings were due to a variety of causes, a large part of these falling under the head "Works". It was hoped that the adoption of the procedure recommended by the Public Accounts Committee in their Report on the Accounts of 1937-38, that budget provision should be made only after consultation with the technical departments, would reduce the extent of savings in future. The Committee noted that in the year under report no lump cut was imposed for probable savings. It was explained that this was done because the provision itself had been severely pruned and it was considered that a further lump cut would not be justified. The Committee desired to reiterate its previous recommendation that a lump-sum cut for probable savings should be made and that, if the occasion demanded it, the cut should be drastic.

61. The Committee then reviewed the cases of injudicious reappropriations and surrenders. It was explained that budgetting during the year had been extremely difficult because of the outbreak of the war. The expenditure during the first ten months of the year did not, therefore, give a correct indication of that in the last two months.

62. The Committee next considered the statement of losses written off. Particular attention was drawn to item No. 6, in which a loss of Rs. 533 had to be written off because the Branch Postmaster responsible for the misappropriation in question who was a schoolmaster was exempt from furnishing a security under the Departmental Rules. It was explained that it was not the rule but the exception not to take security from extra-Departmental postmasters, that the rules regulating the taking of security and the selection of

these postmasters had, since the case in question, been tightened up and that the whole question had been examined recently on the basis of recommendations of three officers appointed on special duty for this purpose The Committee were gratified to see that the amount of losses written off during the year under report was less than in any of the previous 5 years. The percentage of loss written off (Rs 19,355) to the total transactions in the Department (which amounted to Rs 320 crores) was infinitesimal.

63 The Committee then took into consideration the memorandum (Appendix IX) regarding the fixing of percentages of variations between grant or appropriation and actual expenditure below which explanations need not ordinarily be furnished in the Appropriation Accounts They agreed that the present percentages, which had been given a trial of four years at the instance of the Committee, had worked well in practice and should therefore be continued permanently.

Proceddings of the 7th meeting of the Public Accounts Committee held on Tuesday the 26th August, 1941 at 10-30 A. M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member.	*Chairman.*
Moulvi MOHAMMED ABDUL GHANI. Mr. MOHAMED AZHAR ALI. Mr. J. RAMSAY SCOTT. Sir SYED RAZA ALI. Pandit LAKSHMI KANTA MAITRA. Mr. H. M. ABDULLAH. Dr. R. D. DALAL, C.I.E. Khan Bahadur Shaikh FAZL-I-HUQ Piracha. Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	*Members.*
Sir GEORGE SPENCE, C.S.I., C.I.E., I.C.S., Secretary, Legislative Department. Mr. N. N. KAUL, Bar-at-Law, Deputy Secretary, Legislative Assembly Department. Mr. D. G. CHAMBERS, I.C.S., Under Secretary, Defence Department. The Honourable Mr. A. DEC. WILLIAMS, C.I.E., I.C.S., Secretary, Defence Co-ordination Department. Mr. J. C. DONALDSON, C.I.E., M.C., I.C.S., Joint Secretary, Office of the Secretary to the Governor General (Public).	*Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. P. M. RAO, Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.

64. The Committee considered the Appropriation Accounts for which the Legislative, Legislative Assembly and Defence Departments and the Secretaries to the Governor-General (Defence Co-ordination and Public) are responsible.

Legislative Department.

65. With reference to sub-head L. 1 (4) of the Appropriation 'External Affairs', it was explained that the system by which the amount payable by any country to the League of Nations was determined, was that each country was

particular country. The expenditure on this account during the year under report was Rs. 10·78 lacs but had fallen in the present year to Rs. 7·55 lacs owing to the activities of the League having been greatly curtailed.

Defence Department.

personnel in Government employ and their dependants, and their number was larger in the Punjab than in Bengal.

Secretariat of the Governor-General.

67. The Committee then examined the Accounts of the Appropriation 'Secretariat of the Governor-General'. The functions of the two parts of the Secretariat (Defence Co-ordination and Public) which were first set up during

68. The large surrenders in the Appropriation 'Principal Supply Officers' Committee' were explained as being due to the fact that this Committee was transferred from the control of the Secretary to the Governor-General (Defence Co-ordination) and was merged in the Department of Supply in the middle of the year and the provision for the remainder of the year was not required.

within a grant.

The Committee then adjourned till 10-30 A. M on Wednesday, the 27th August

Proceedings of the 8th meeting of the Public Accounts Committee held on Wednesday the 27th August, 1941 at 10-30 A. M.

PRESENT :

Mr. J. RAMSAY SCOTT (up to 11-30 A. M.).
The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member. } *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.
Mr. MOHAMD AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir SYED RAZA ALI.
Lieut.-Colonel M. A. RAHMAN.
Pandit LAKSHMI KANTA MAITRA.
Mr. H. M. ABDULLAH.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HUQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E. } *Members.*

Sir ALAN LLOYD, C.S.I., C.I.E., I.C.S., Secretary Commerce Department.
Mr. N. R. PILLAI, C.I.E., C.B.E., I.C.S., Additional Secretary, Commerce Department.
Rai Bahadur KIRPA RAM, Director of Co-ordination, Supply Department.
Mr. M. IKRAMULLAH, I.C.S., Deputy Secretary, Supply Department.
Khan Bahadur K. UBAIDULLAH, Under Secretary, Supply Department.
The Honourable Sir L. WILSON, Chief Commissioner of Railways.
Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways.
Mr. I. S. PURI, Director of Finance, Railway Department.
Mr. D. C. CAMPBELL, Controller of Railway Accounts. } *Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.
Mr. P. M. RAO, Accountant-General, Central Revenues.
Mr. RAM GOPAL, Controller of Supply Accounts.
Mr. E. R. SESHU IYER, Director of Railway Audit.
The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.

Commerce Department.

70. *Grant No. 28.—Ports and Pilotage.*—It was explained that the expenditure on the Bengal Pilot Service was fully covered by the recoveries made from

shipping companies. The administration of the Mercantile Marine Department, however, was not self-supporting, approximately half of its expenditure only being normally recovered from ships in the shape of fees, etc. The Committee were pleased to see that the surplus on account of the Bengal Pilot Service for the year 1939-40 was larger than in any of the previous 5 years. It was stated that the accumulated surplus amounting at the end of 1939-40 to Rs. 8,80,000 was kept as a reserve fund for the eventual replacement of pilot vessels. This amount was not, however, sufficient for the purpose and would have to be augmented, when the eventuality arose, from general revenues.

There was a small excess of Rs. 3,536 in this Grant mainly due to more coal having been consumed owing to the present emergency than was anticipated. The Committee agreed to recommend the regularisation of this excess by a vote of the Assembly.

71. *Grant No 29.—Lighthouses and Lightships.*—The Committee noted that the surplus of receipts over expenditure during the year amounted to Rs. 2,57,000 against Rs. 2,24,000 in 1938-39 but that this apparently increased surplus was due to a change in the method of accounting but for which the surplus would have amounted only to Rs 99,000. Taking into consideration all the factors which had operated during the year, the committee regarded the results of the year's working as satisfactory. They also noted with satisfaction that there were adequate amounts standing to the credit of the General Reserve and the Depreciation Funds.

72. *Grant No. 57.—Miscellaneous.*—The Committee considered the income and expenditure account of the scheme for the registration of Accountants and observed that the deficit for the year under review was even larger than that of 1938-39 in spite of the Committee's recommendation in their report on the Accounts of 1937-38, that this scheme should be made self-supporting. It was explained that the increased deficit during the year was due to an increase in expenditure on account of travelling allowances of members of the Indian Accountancy Board and its committees due to the necessity for more prolonged sittings. The policy of Government continued to be that the scheme should be placed on a self-supporting basis. The Committee trusted that steps would be taken to put this policy into effect and that the results of the next year would show an improvement.

Department of Supply.

73. With reference to entry 'B-1 (6)—Deduct—Establishment charges recoverable from other Governments, Departments, etc.,' it was explained that although the Contracts Directorate was, in the year under review, a part of the Department of Supply, the normal peacetime cost of this organization continued to be recovered from Defence Estimates.

RAILWAYS

74. The Committee then proceeded to examine the Appropriation Accounts of the Railways in conjunction with the Audit Report and the Review prepared by the Chief Commissioner. The Chief Commissioner laid before the Committee a summary of the approximate financial results of the Indian State-owned Railways in 1940-41 (Appendix XI). The financial results of the working of

railways for the year 1939-40 were compared with these and with the results of previous years. The Committee noted that with the outbreak of war in the year under review there had been a change in traffic conditions with the result that the surplus for 1939-40 amounted to Rs. 4 1/3 crores, which was the highest surplus recorded since the general recovery in 1936-37. They noted also that the same trend had continued and that the surplus for the year 1940-41 had amounted to a very much larger figure.

75. The Committee then considered the cases of supplementary grants obtained during the year, which had eventually proved to be unnecessary. In Grant No. 6-C where a supplementary grant of Rs. 19 lakhs was obtained and the saving in the total grant was Rs. 33·27 lakhs, it was explained that the chief cause of the saving was the postponement of the payment for certain Diesel cars obtained for the North-Western Railway, as the conditions with which, under the terms of the contract for their purchase, these cars had to comply before payment became due, had not been satisfied within the financial year. Another item which served to increase the savings was unanticipated credits to the extent of Rs. 9¼ lakhs, of which only Rs. 6 lakhs were expected to accrue at the time the revised estimates were prepared. In Grant No. 6-H, a supplementary grant of Rs. 8·49 lakhs was obtained, while the savings in the total grant amounted to Rs. 9·88 lakhs. It was explained that this was primarily due to unanticipated credits arising from a change in the method of calculation of the cost of energy supplied, which resulted in larger recoveries being made. This change institued in the previous year had not been fully appreciated by certain railways until clearer instructions had been issued by the Board during the year under review, with the result that its effect was not fully taken account of in the budget. The Committee desired that great care should be taken before a supplementary demand was presented to the Assembly.

76. The Committee were pleased to note that control of expenditure as judged by the percentage of saving or excess on the final grant or appropriation continued to be satisfactory, the saving in grants relating to expenditure charged to revenue having shown only a nominal increase to ·40 per cent. against ·10 per cent. in 1938-39. The position with regard to expenditure charged outside the Revenue account showed a deterioration from ·18 per cent. to 2·57 per cent., but this was only apparent as the net variation in 1938-39 was due to large compensating variations in Grants Nos. 11 and 12. The percentage for the year compared very favourably with that for 1935-36 and 1936-37 and was only slightly higher than that for 1937-38.

77. In reviewing cases of injudicious surrenders or withdrawals within the grant, causing excess over allotments, attention was drawn to Grant No. 8—Interest Charges. In this Grant the original appropriation for 'Interest on Debt' was reduced, while the final result showed an excess. The Committee agreed that as the rate of interest to be applied was not known till after the close of the year, very accurate budgeting was not possible in this Grant.

78. As desired by the Public Accounts Committee last year, a memorandum (Appendix XII) was presented to the Committee on the method of preparation of the statement of unsanctioned expenditure in the Appropriation Accounts.

The Committee agreed with the Railway Board that no radical change was called for in the rules regarding the preparation of formal estimates in certain cases. They also agreed with the proposal that the limit of Rs. 10,000 observed hitherto with regard to exhibition of the particulars of unsanctioned expenditure in Annexure 'A', 'A (i)' and 'A (ii)' to the Appropriation Accounts should be raised to Rs. 25,000, but preferred to await the effect of these changes before considering any further modification of practice. The Committee were pleased to observe that the percentage of objectionable expenditure to expenditure audited was only ·33 compared to ·58 in the previous year, both of which percentages were satisfactory

The Committee then adjourned till 10-30 A. M. the next day.

Proceedings of the 9th meeting of the Public Accounts Committee held on Thursday the 28th August 1941 at 10-30 A. M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member.	*Chairman.*
Moulvi MOHAMMED ABDUL GHANI. Mr. MOHAMED AZHAR ALI. Mr. J. RAMSAY SCOTT. Sir SYED RAZA ALI. Lieut.-Colonel M. A. RAHMAN. Pandit LAKSHMI KANTA MAITRA. Mr. H. M. ABDULLAH. Dr. R. D. DALAL, C.I.E. Khan Bahadur Shaikh FAZL-I-HUQ, PIRACHA. Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	*Members.*
The Hon'ble Sir LEONARD WILSON, Chief Commissioner of Railways. Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways. Mr. I. S. PURI, Director of Finance, Railway Board. Mr. D. C. CAMPBELL, Controller of Railway Accounts.	*Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. E. R. SESHU IYER, Director of Railway Audit.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.

79. The Committee continued their examination of the Railway Accounts. In dealing with Annexure C to the Chief Commissioner's Review, attention was drawn to the comparatively high percentage that ordinary working expenses showed to earnings on the Eastern Bengal and Assam Bengal Railways. It was explained that the increase during the year under review on the Eastern Bengal Railway was mainly due to the special adjustment between revenue and the Depreciation Fund alluded to at the end of paragraph 21 of the Chief Commissioner's Review and to considerable extra expenditure caused by floods during that year. The reason why the percentage of working expenses to earnings on these Railways was generally higher than on other Railways was that their receipts (as shown in Annexure D to the Chief Commissioner's Review) were for the size of the systems, comparatively speaking, low, this being partly due to competition with river traffic. The Assam Bengal Railway was now being taken over by Government and it was proposed to amalgamate it with

the Eastern Bengal Railway. It was expected that this would lead to a reduction in the working expenses of both the Railways and also possibly to any increase in earnings.

80. The Committee next turned their attention to Annexure E to the Appropriation Accounts which showed the working expenses of strategic railways. A member suggested that the net loss on strategic railways should be charged to the Defence Services Estimates as these railways were run primarily for Defence purposes and that, therefore, their inclusion in the Defence Budget would give a better idea of the total sum that was being spent on the defence of the country. The member's attention was drawn to the fact that the incidence of loss on strategic railways was regulated by the second sub-paragraph of paragraph 2 of the Resolution regarding the separation of railway from general finance adopted by the Legislative Assembly on the 20th September 1924, which ran as follows follows —

> "Interest on the capital at charge of, and the loss in, working strategic lines shall be borne by general revenues and shall consequently be deducted from the contribution so calculated in order to arrive at the net amount payable from railway to general revenues each year."

The manner in which this arrangement worked for the year under review was shown in statement "No. 22A showing the calculation of railway contribution to general revenues" at page 107 of the Combined Finance and Revenue Accounts of Central and Provincial Governments in India for the year 1939-40 The Committee agreed that no change in the method of accounting for the incidence of this loss was necessary at any rate during the war

81. The Committee next went on to consider in detail each of the financial irregularities mentioned in Chapter II of the Audit Report With reference to paragraph 27 of the Audit Report, it was explained that the oversight was that of a Permanent Way Inspector who had omitted to report that the siding in question was being maintained by the Railway Administration instead of by the Indian State The Committee noted that this loss was not due to any defect in system but to an omission by a particular individual

In regard to the scheme for the transfer of the repair of metre gauge locomotives from Saidpur to Kanchrapara, the Committee were of the opinion that the facts of the case disclosed that the scheme had been adopted without as much consideration having been given to all the relevant factors necessary for its successful operation as they deserved. They were also inclined to the view at the ultimate reduction to 10 miles in the scheme for the relaying of 18 miles of track on the Kakurgachi Chord indicated that originally inadequate consideration had been given to the actual requirements but it was explained that the abandonment of the scheme was probably due to a drive for economy

82. The Committee were not satisfied with the explanation given for the loss on the supply of timber to the Defence Department by the Eastern Bengal Railway in 1932 (paragraph 29 of the Audit Report). They considered that the Railways had been more accommodating to the Defence Department than could be justified under any circumstances and felt that the Departments concerned should make clear to all responsible officers that no plea of urgency

or secrecy can excuse neglect of ordinary financial precautions such as taking receipts for transfer of money or stores.

83. The loss recorded in paragraph 30 was explained as being due to an abnormal departure from the normal system. The Committee trusted that the abolition of the system of "custody stores" would obviate the recurrence of such a loss. With reference to the case recorded in paragraph 31, it was explained that Financial Advisers and Chief Accounts Officers of Railways now kept a register of the capital cost of saloons which they had not formerly done and that expenditure figures furnished by the Mechanical Department were now checked by them before final acceptance. There was therefore no likelihood of loss on this account being repeated in future. With reference to paragraph 32, it was explained that the Board considered that the all-round charge of 4 per cent. to cover the cost of maintenance and repairs of vehicles reserved for other Government Departments, which had been found sufficient by all the other Railways, should be adequate in the North Western Railway also, and the reason why this was not so was now being investigated by that Railway.

84. The Committee expressed their dissatisfaction with the system which had made it possible for orders to be given for injectors by the Eastern Bengal Railway without detailed specification of the type of injector desired having been stated (paragraph 33). They were, however, informed that the practice had been discontinued and that detailed specifications were now being supplied.

85. There was then considerable discussion on the case mentioned in paragraph 35 of the Audit Report. It was explained that the officer in question was the Chief Mining Engineer and the extra duties he performed *ex-officio* were those of Chairman of the Coal Grading Board and Chairman of the Soft Coke Cess Committee. For the former of these he received extra remuneration of Rs. 500 per mensem and for the latter Rs. 300 per mensem. The point was raised why the entire sum which had been overpaid to the officer was not recovered from him, in instalments if necessary, but it was explained that the usual practice was that overpayments, if they were received by the Government servant concerned in good faith, were not recovered for more than a period of one year from the date the irregularity was discovered, as recovery for a longer period was considered inequitable. The Committee felt that *prima facie* these allowances were excessive and that the amounts paid and the justification for them should be re-examined by Government. They desired further that the question whether this remuneration had been correctly classified as fees should be further investigated and a report made to the Committee on this point.

86. The Committee then considered the statement showing remissions and abandonments of claims to revenue, detailed in Annexure C to the Appropriation Accounts. The grand total of revenue abandoned or remitted amounted to Rs. 35,90,278 but this was a very small percentage of the total railway revenues. It was explained that most of these abandonments and remissions were due to the impossibility of recovery or to the recovery threatening to prove more costly than the amount to be recovered. The Committee were satisfied with the statement of the Auditor General that he considered that in the cases under report there was no reason to believe that the discretion vested

in the railway authorities to remit or abandon revenue had been improperly exercised.

87. In accordance with the recommendation of the Committee made last year, a 'Key' statement had been prepared, which correlated the references to each Railway Grant contained in the various accounts and reports with which the Committee had to deal. The Committee found that the 'Key' statement was not as helpful as it was expected to be and desired that it should be discontinued. Instead, they requested the Financial Commissioner of Railways, in consultation with the Auditor General, to prepare a programme to guide the Committee in dealing with the documents which they had to examine.

88. The Committee then took into consideration the Report of the Railway Board on Railway Officers' saloons and reserved inspection carriages (Appendix XIII). It was explained that all the material set free by the condemnation of these carriages would either be used again if it was serviceable or sold as scrap.

89. The Committee then went on to consider the report by the Railway Board on auction sales of railways (Appendix XIV) and noted that the East Indian Railway had already revised their contracts so as to secure payment for the auctioned materials before removal, and that the Eastern Bengal Railway were following suit.

90. The Committee then proceeded to consider the accounts of the Reserve Fund of the Railways. They noted that the Depreciation Fund, at the end of the year under review, stood at Rs 30·75 crores. With reference to footnote (a) on page 57 of the Chief Commissioner's Review, attention was drawn to paragraph 21 of the Review and it was explained that while ordinarily expenditure on repairs was financed directly from revenue, the expenditure on the Hardinge Bridge Protection Works and repairs to Earthquake damages had been so large that in the financial conditions then obtaining it had been deemed advisable, after consulting the Auditor General, to spread it over a number of years. A loan had therefore been taken from the Depreciation Fund and repaid in annual instalments from revenue.

Proceedings of the 10th meeting of the Public Accounts Committee held on Friday the 29th August, 1941 at 10-30 A. M.

PRESENT:

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member. } *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.
Mr. MOHAMED AZHAR ALI.
Mr. J. RAMSAY SCOTT.
Sir SYED RAZA ALI.
Lieut.-Colonel M. A. RAHMAN.
Pandit LAKSHMI KANTA MAITRA.
Mr. H. M. ABDULLAH.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur SHAIKH FAZL-I-HUQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
} *Members.*

The Hon'ble Sir LEONARD WILSON, Chief Commissioner of Railways.
Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways.
Mr. D. C. CAMPBELL, Controller of Railway Accounts.
} *Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.

Mr. E. R. SESHU IYER, Director of Railway Audit.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.

91. The Committee continued their examination of the accounts of the Depreciation Fund. It was explained that the annual contribution to this Fund was at the rate of 1/60th of the total capital at charge. The previous system had involved a meticulous calculation based on the normal life of each asset. In the interest of simplicity it had been replaced several years ago by the present one which was calculated to give approximately the same result.

92. The Committee then went on to examine the Appropriation Accounts of each Grant.

Grant No. 6-A.—There was an excess of Rs. 15, 21,656 in this Grant, which however amounted to less than 2 per cent. of the total. This was due mainly to the write-back to this Grant of the entire outstanding balance of expenditure on the Hardinge Bridge Protection and Training Works amounting to Rs. 48½ lakhs. The decision to write back the entire amount this year was made because the revenue position had improved considerably and it was felt that

there was no reason to delay payment of the debt to the Depreciation Fund any longer The decision on this matter was, however, taken after the revised [illegible]

With reference to an item of loss of Rs. 2,76,000 caused by fire on the Eastern Bengal Railway, it was explained that the policy of Government was not to insure its property with outside bodies, but to carry the risk itself. Government made arrangements for protection against fire, but fires were infrequent and a large capital outlay for this purpose was therefore difficult to justify.

93. *Grant No. 6-B.*—In connection with this Grant, the Committee were pleased to see that the percentage of locomotives and wagons under or awaiting repairs to the average number on the line had shown a decrease during the year under review compared to the previous year. The improvement, the Committee learnt, was due to the success of measures taken by the Board to expedite repairs in Workshops.

94. *Grant No. 6-D.*—There was an excess in this Grant of Rs. 56,691 due mainly to increase in traffic, necessitating the payment of more handling [illegible] excess to the Assembly

95. *Grant No. 6-E.*—Attention was drawn to three items of loss on the North Western Railway caused by excess payments to railway servants. Two of these were due to the fact that the Railway Administration did not know that the employee in question was in receipt of a pension from the Defence [illegible] ment The matter was taken up by Audit, as a result of which a large number of cases of this kind were discovered and the cases under discussion were probably the result of the investigation then made The safeguard now prescribed against recurrence of a mistake of this kind was that employees are now themselves asked to certify whether they are in receipt of a pension or not.

With regard to the third case, it was explained that the complexity of *grades in the Services in which this system existed was such that occasional* mistakes were almost inevitable

96. *Grant No 6-F*—The Committee noted that although the supplementary grant of Rs 2 23 lakhs obtained for the expenses of the General Departments had proved excessive, the budgeting in this Grant was very satisfactory as the precentage variation of the expenditure from the budget was only ·5

97. *Grant No. 6-G.*—In this Grant also the Committee noted that the percentage variation was less this year than in the previous year They were pleased to see, in particular, that there had been an improvement in budgeting under the head 'Gratuities'.

98. *Grant No. 5.*—Under the sub-head 'Net earnings payable to Worked Lines', the original provision had been reduced by Rs. 15·71 lakhs. whereas the final figures showed an excess of Rs. 9·47 lakhs. Briefly, these variations were due to the fact that whereas in the earlier part of the year the earnings of these lines fell below budgetary expectations, the sharp improvement in traffic caused by the outbreak of war in the latter half of the year resulted in figures of earnings of worked lines and consequently of paymanets due to them considerably exceeding anticipations.

99. The Committee then went on to consider Grants Nos. 11 and 12 relating to Works Expenditure outside the Revenue Account. They were gratified to observe that the results of the year under review in both these Grants were better than they had been for many years. Although the very close budgeting in Grant No. 12 was due to the fortuitous credit on account of the Hardinge Bridge Protection and Training Works, but for which there would have been an excess in this Grant, the Committee were pleased to observe that the system of lump cuts recommended by them had, on the whole, worked well. They trusted that the policy of making lump cuts would continue though the extent of the cut would have to depend on the conditions anticipated from time to time. Admittedly in view of the difficulties created by the war in regard particularly to the supply of plant and materials, the difficulty of accurate estimating under this head would be accentuated.

The Committee then adjourned till 11-30 A. M. on Wednesday, the 3rd of September 1941 for considertation of their report.

Report of the Military Accounts Committee, 1941.

We are appointed in pursuance of the recommendation made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1929-30 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. We have been assisted in this work by the Auditor-General, the Defence Secretary, the Financial Adviser Military Finance, the Secretary of the Supply Department and the Military Accountant-General. The results of our examination are, as usual, embodied in the proceedings of our meetings which we desire to be teated as a part of our report. The following paragraphs deal only with some of the more important points.

2. As the Audit Report covers the results of the test audit of all expenditure on the Defence Services brought to account in India including the expenditure debitable to His Majesty's Government without attempting to distinguish between the cases fully or partially affecting one Government or the other, we have had before us the results of audit over the entire field of Defence expenditure. With small modifications the quantum of audit has remained the same as before the war, though to ensure that the allocation of charges between H. M. G. and the Government of India is correct and in accordance with the Financial Settlement agreed upon between them, the scope of the check of classification in audit has had to be suitably increased We examined the method of determining the division of charges on account of war measures for which the two Governments are jointly liable with considerable care In the case of the expansions of recruiting activities, headquarter organisations and specialised training, the amount to be shared has been taken as the excess of actual expenditure for the year over the corresponding original budget provision, while the divisible expenditure on account of the expansion in the duty strength of officers has been calculated on the basis of capitation rates which have been applied to the excesses over normal strengths As regards the division of these amounts between the two Governments, where as in the case of the increase in recruiting expenses which has been divided in the proportion of the extra recruits raised in connection with overseas and purely Indian requirements respectively, an accurate basis for dividing the charges is readily available, the expenditure has been divided in this proportion, but where no simple or obvious method of dividing the amounts can be found the expenditure has been allocated equally between the two Governments. As the result of our examination we are satisfied that in regard to the accounts of 1939-40 the terms of the Financial Settlement have been fairly worked to the detriment of neither party. In general we are glad to note that the Auditor General has certified that the standard of financial administration continues to be satisfactory.

3. *Expenditure of the Military Engineer Services*.—We are glad to note that a detailed procedure for war emergency works has been prepared after consultation between the Engineer-in-Chief and the Financial Adviser, Military Finance, by which while the preparation of project estimates will be dispensed with, works will be sanctioned by the competent authority on the basis of properly prepared approximate estimates. As for the period of the war the great bulk of the works carried out will be those urgently required for the pro-

secution of the war and mainly in temporary construction, we accept this as a practical and satisfactory solution of the problem to enforce a reasonable standard of financial control without causing such delay as would retard the war effort. As regards the normal works programmes, which except for the Quetta Project are now comparatively few, we agree that no change in the present system of framing estimates is required for the period of the war.

4. As in previous years, we have noted that the percentage of establishment charges to works expenditure of the Military Engineer Services has been considerably higher than that of the Central Public Works Department. While we appreciate that the work of the Central Public Works Department has been concentrated in a few areas and that the M. E. S. has to deal with a large number of scattered projects, we were gratified to learn that in the year under report the percentage for the M. E. S. has decreased by nearly 1·34 per cent. and we note that for 1940-41 a comparable figure for the rate of establishment charges will be provided by the Central P. W. D., since they took over the execution of all Central Civil and Aviation works in the various provinces with a few exceptions from April 1940.

5. We are indebted to the Department of Supply for a very full account of the methods adopted by them for the purchase of stores and of the arrangements in force in regard to war contracts. While before the war purchases were made as a rule by open tenders and competition was effective over most of the field, as a result of the urgent and increasing demands made on the industrial resources of India on account of the war, the competitive system has necessarily had to give way to limited and single tenders and to settlement by negotiation with individual suppliers as well as with industries as a whole. The organisation devised for the closer control on the prices paid for Government purchases and for more intimate contact with industry was explained to us in detail. It is now recognised that contracts in which the price payable is based on the acutal costs plus an agreed margin of profit have many objections and although we recognise that such contracts are unavoidable in some cases, we endorse the view that they should gradually be eliminated as and when the experience gained from their working renders it possible to arrange contracts at fixed prices. These fixed prices would naturally be based on the ascertained economical cost of production, and should be subject to review at specified intervals.

6. A further point in this connection which was brought forcibly to our notice was that while for the examination of contracts based on estimated costs or negotiated in the light of such costs, a departmental costing organisation is essential, the greatest difficulty is being experienced in obtaining sufficient trained cost accountants for this work. Furthermore, even though following the Australian model, it has been decided to supplement the departmental organisation by the employment of the firm's own private auditors working under the instructions of Government, the staffs of these private firms of accountants have been so reduced by men being called up for military service that in many cases the trained accountants left with them are insufficient to carry out the work required by the Supply Department. We therefore make a strong recommendation that the supply of qualified accountants should not be further reduced by recruitment for the Defence Services and trust that the instructions that have just been issued for no more accountants to be called up without

consulting the Supply Department will ensure that this is brought about. We also recommend that steps should be taken to transfer experienced cost accountants who have already been called up from the Army to the Supply Department where their use for the war effort will be considerably greater, and that the training of young Indian registered accountants in cost accounting should be pursued in consultation with the Advisory Panel of Accountants

7. The cases of financial irregularity brought to notice in the Audit Report were examined by us in detail and we generally approve of the action taken to fix the responsibility, which we trust will ensure that similar losses do not occur in future We have, however, taken special note in our proceedings of a serious irregularity brought to light from the investigation of the incomplete store accounts in a Garrison Engineer's office and have asked to be furnished with a report of the disciplinary action taken in this case. For the rest, we endorse the finding of Audit that the standard of general financial administration continues to be satisfactory.

8. We desire to place on record our indebtedness to the Auditor-General for the valuable assistance given to us in our examination of the accounts

(Sd.) H. A. C. GILL,
Secretary

(Sd) A J RAISMAN.
(Sd) FAZL-I-HUQ PIRACHA.
(Sd) RAZA ALI
(Sd) MOHAMMED ABDUL GHANI
(Sd) C E JONES

Dated the 29th August, 1941.

H193FinD

Proceedings of the first meeting of the Military Accounts Committee held on Wednesday, the 13th August 1941 at 10-30 A. M.

PRESENT :

The Hon'ble SIR JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member.	*Chairman.*
Moulvi MOHAMMED ABDUL GHANI. Sir Syed RAZA ALI. Khan Bahadur SHAIKH FAZL-I-HUQ PIRACHA Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.	*Members.*
Mr. C. M. G. OGILVIE, C.S.I., C.B.E., I.C.S., Defence Secretary. Mr. E. T. COATES, C.S.I., C.I.E., I.C.S., Financial Adviser, Military Finance. Mr. M. R. COBURN, C.I.E., O.B.E., Additional Financial Adviser, Military Finance. Mr. J. PARLBY, O.B.E., Military Accountant General Mr. K. A. JOSEPH, Deputy Financial Adviser, Military Finance.	*Witnesses*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. C. V. S. RAO, Director of Audit, Defence Services.

The Committee first considered the military items in the statement (Appendix I) showing action taken or proposed to be taken on the recommendations made in previous years.

2. *Item 21.*—The Defence Secretary stated that as recommended by the Committee last year the revised rules for the allocation of Ecclesiastical expenditure had been brought into operation with effect from the 1st of April 1941 and that a suitable formula for the distribution of the connected pensionary charges was under discussion between the Auditor-General and Defence Department.

3. *Item 22.*—In regard to the recommendation that the question of the simplification of heads in the Defence budget might be pursued as far as present conditions permitted in order that the conclusions reached might be carried into effect after the war, the Committee were informed that it would not be possible to make further progress with this proposal during the period of the war and that the question would be taken up when the Defence budget was revised at the end of the war.

4. *Item 23.*—The Financial Adviser, Military Finance, explained that the question of devising a revised system of framing estimates for M. E. S. Works on

the lines of that adopted in England had lost its immediate practical interest because during the period of the war the great bulk of the works carried out consisted of those urgently needed for the prosecution of the war. As the preparation of detailed project estimates involves much time and labour, it has been decided that the preparation of project estimates for works needed for the prosecution of the war should be dispensed with and the measure sanctioned by the competent authority on the basis of an approximate estimate A detailed procedure for such war emergency works had been laid down (Appendix XV) while for peace-time works like the Quetta Project the ordinary full procedure would continue to be applied

The Committee then took up the examination of the Appropriation Accounts of the Defence Services for the year 1939-40 along with the Report of the Director of Audit, Defence Services

5. In connection with the financial settlement with His Majesty's Government for the allocation of Defence expenditure for the duration of the war, the Chairman explained that Indian audit will operate over the whole field of Defence expenditure whether met from Indian revenues or by His Majesty's Government and that the Auditor-General's report with the comments of the Public Accounts Committee would be referred for consideration in the first place by the Secretary of State for India and then by H. M.'s Treasury. In this connection the Committee considered the note of the Auditor-General on paragraph 3 of the Audit Report (Appendix XVI) and noted that the Comptroller and Auditor-General of the United Kingdom had agreed to admit the accounts of the expenditure on Defence Services which is to be borne by the United Kingdom without further detailed examination on the strength of the audit undertaken in India The Auditor-General stated that two members of the staff of the Comptroller and Auditor-General had visited India last cold weather to obtain first hand knowledge of Indian accounting and audit procedure and that he had reason to believe that the Comptroller and Auditor-General would be generally satisfied with the Indian system of audit and would be able to accept the certificate of the Auditor-General of India without requiring any modification of the Indian system

6 *Paragraph 8* —In regard to the division of charges on account of war measures for which the British and Indian Governments are jointly liable under the financial settlement, it was explained that these joint measures mainly related to the expansion of recruiting activities, the expansion of Defence Headquarters organizations and the expansion of training establishments for imparting specialised training to officers and men Where an accurate basis for dividing the charges is readily available, the expenditure is divided in this proportion, but where no simple or obvious method of dividing the amounts can be found, it has been agreed that the expenditure should be allocated equally between the two Governments It was pointed out that the proportion which joint measures occupy is small. When Indian troops are sent overseas the cost of their raising, training and equipment is recovered from His Majesty's Government, except in the case of equipment sent out from the United Kingdom whether for troops of the various expansion schemes proceeding overseas or for such troops remaining in India, which is supplied free by that Government.

7. *Military Engineer Services.*—In regard to paragraph 12 of the Appropriation Accounts, the Committee noted the appreciable improvement in the working of the Military Services in that the percentage of objectionable outlay to the total expenditure during the year under report had worked out at 1·73 as compared with 2·55 in the previous year and that the amounts due on account of rent, water and electricity, which were not recovered within the prescribed time, had decreased considerably.

8. The Committee noted that the percentage of establishment charges to works expenditure for 1939-40, viz., 18·94, had decreased by nearly 1·34 per cent. over that worked out for the year 1938-39 as the result of the fuller utilisation of all works establishment on modernisation and war works. On the question whether the rate of establishment charges in the M. E. S. was reasonable, it was noted that the M. E. S. had to deal with a large number of scattered projects, while the work of the Central P. W. D., whose establishment percentage for the same year worked out at 16·25, was concentrated in a few areas. However, as the Central P. W. D. had taken over the execution of all Central Civil and Aviation works in the various Provinces with effect from April 1940, there would be a fairer comparison available with effect from the Accounts of 1940-41.

9. *Reconstruction in Baluchistan.*—In the case of the lump sum contracts given for two groups of works on the basis of certain previous contracts without bills of quantities, the Committee endorsed the view that the working of these contracts had shown that a lump sum contract cannot be easily based upon a previous one without bills of quantities unless the work is completely identical.

10. In examining the original and modified appropriations as compared with the actuals for the year under report, the Committee agreed that in the special circumstances due to the outbreak of war, the variations did not call any comments. The certificate of the Military Accountant-General was noted and the majority of items held under objection were stated to have since been settled.

11. *Paragraph 33.*—Attention was drawn to the delay in settlement of the rates of hire for vessels requisitioned for local naval defence purpose, which was mainly responsible for the variation between the appropriation and expenditure under the new main head 3 "War measures chargeable to Indian revenues". It was explained that the rates could not be settled before the vessels were requisitioned, and as this involved an important question of principle which would appy to all requisitioned property, a provisional payment of 10 shillings a ton was being made and the whole question examined in detail in consultation with the Commerce Department.

12. *Paragraph 43.*—In connection with the variation between the expenditure and original appropriation under Defence Services—non-effective-Head II-Air Forces, it was stated that this was due to a considerable refund paid to India by the Air Ministry. According to a revised method of calculation for non-effective charges agreed to by the Air Ministry, India is to pay on the basis of a service share of the actual pensions in course of payment and past payments from 1919-20, which had been approximately calculated pending a settlement

had been recalculated on this basis. A sum of 17 lakhs representing the amount paid in excess by India had accordingly been refunded

13. *Appendix D.*—With reference to the statement showing "Losses in stores, etc" in Military Engineer Services written off during the year 1939-40, attention was drawn to the large sum on account of deficiencies not caused by theft or fraud. It was explained that this was on account of the book value of buildings which though recorded in the registers were found to be no longer in existence The buildings in question had been demolished with authority but this had not been duly recorded As no authority was now traceable for their demolition, the book value of the buildings had been written off by Government and steps taken to see that the registers were properly maintained in future

14. With reference to paragraph 5 of the prefatory remarks to the Audit Report where it was stated that though Defence expenditure is non-voted, the Defence Appropriation Accounts stand on the same footing as the other Appropriation Accounts so far as examination by the Public Accounts Committee is concerned, a member made a suggestion that fuller details as to the production of munitions, stores, etc in India might be given in the accounts for the information of the Committee It was explained that the accounts of the year under report had been greatly simplified by the effect of the financial settlement and that the Committee had a definite statutory function to deal with the accounts as presented to the Legislature and to see how the actual expenditure compared with the appropriation and that the manner in which the money had been spent conformed with the canons of financial propriety

Proceedings of the 2nd meeting of the Military Accounts Committee held on Thursday, the 14th August 1941, at 10-30 A. M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member. — *Chairman.*

Members.

Moulvi MOHAMMAD ABDUL GHANI.

Sir Syed RAZA ALI.

Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary

Witnesses.

Mr. C. M. G. OGILVIE, C.S.I., C.B.E., I.C.S., Secretary, Defence Department.

Mr. E. M. JENKINS, C.S.I., C.I.E., I.C.S., Secretary, Supply Department.

Mr. E. T. COATES, C.S.I., C.I.E., I.C.S., Financial Adviser, Military Finance.

Mr. M. R. COBURN, C.I.E., O.B.E., Additional Financial Adviser, Military Finance.

Mr. R. S. SYMONS, I.C.S., Additional Financial Adviser, Supply.

Mr. J. PARLBY, O.B.E., Military Accountant-General.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. C. V. S. RAO, Director of Audit, Defence Services.

Mr. RAMGOPAL, Controller of Supply Accounts.

15. In regard to the war time purchase of stores, the Committee first considered the memorandum submitted by the Department of Supply Appendix XVII) describing the methods of purchase and financial control, together with the note of the Auditor-General on this subject (Appendix XVIII). The attention of the Committee was first drawn to the fact that it was extremely difficult to recruit even reasonably qualified cost accountants for the Supply Department's staff. The Auditor General pointed out that owing to recruitment for the army, the staff of private firms of accountants had been greatly reduced, and the trained accountants now left with them were insufficient to carry on their ordinary work much less to undertake the big responsibilities now being put on them by Government and the Supply Department. As regards the training of ordinary accountants, as the great majority had had no experience of factory work the training in cost accounting would be a lengthy process. The Committee was of the opinion that it was vital in the public interest that the supply of qualified accountants should not be further reduced, and for this purpose recommended that Accountancy should be declared to be

a key occupation. Further, the Committee agreed with the Auditor-General that, if possible, steps should be taken to get experienced cost accountants, already recruited for the army, transferred to the Supply Department, where their usefulness for the war effort would be much greater The Committee also recommended that the possibility of training young Indian registered accountants in cost accounting should be considered in consultation with the Advisory Panel of Accountants.

16. The Committee then considered at length the methods adopted for fixing the contract prices for stores As in view of urgency and for other reasons, the open tender system was being increasingly replaced by limited and single tenders, special arrangements had to be made to ensure that prices were reasonable. The change over that was taking place from the system of allowing actual costs plus a margin for profit to a fixed price system was approved It was explained that in the early stages of the war, certain contracts had had to be given for payment of actual cost of manufactured articles plus a margin for profit, but this arrangement, which left no incentive to economical production, was now being abandoned as rapidly as possible. It was noticed that it had been found possible to effect considerable reductions in the profit margins allowed. In view of the dearth of departmental cost accountants, it had been decided in suitable cases to employ the firms' own auditors who would work and report under instructions from Government and would be paid by Government for this work. These reports would be reviewed departmentally and Government also reserved the right of employing their own departmental accountants in addition to, or in substitution of the firms' auditors in important cases, or where such a course was considered necessary.

17. As regards the question whether powers of local purchase were being properly used, the Committee were informed that orders restricting such purchases had recently been issued and that monthly statements of all local purchases had been called for to enable the Government of India to see that these orders were effective and that local purchases were resorted to only in real emergencies

18. *Paragraph 10 of the Audit Report*—As regards the incomplete store accounts and irregularities in stock in a certain Garrison Engineer's Office, which was reported by audit, the Committee noted that the omission to fix a reserve price for the auction of old copper wire, whereby the price realised had steadily decreased, while the price of copper had been steadily appreciating, indicated, a serious irregularity and desired to be furnished with a report on the disciplinary action taken in due course.

19. *Paragraph 11*—In regard to the incorrect recovery of rent for certain buildings on the basis of a provisional rate fixed before the construction accounts for the buildings were closed due to the failure to complete the register of buildings, the Committee observed that in cases of this nature the investigation of the capital cost of particular items should be pursued individually regardless of the completion of the general register Where a provisional rate for the recovery of rent was fixed the actual rate should be worked out as soon as the required information became available.

20. *Paragraph 12.*—Attention was drawn to the loss incurred by Government due to non-occupation of accommodation reserved for officers serving with Army Headquarters in a hotel at Delhi. It was explained that the accommodation was arranged on account of the unusually large number of officers who had to move down to Delhi at the outbreak of war and that this was cancelled within a month. The Committee noted that in order to avoid similar losses in future, officers for whom private accommodation was reserved, are now required to enter into an undertaking to occupy such accommodation if allotted to them.

21. The Committee noted the remark of the Director of Audit, Defence Services, that the standard of financial administration continued to be satisfactory.

22. *Paragraph 24.*—Attention was drawn to the case of an Aircraft Depot where the stocks of one of the sections had been verified by the store holder himself, and it was stated that the regulations had since been amended to make it clear that this was prohibited. It has also been agreed to detail persons other than the store-keepers for the verification of stocks as soon as personnel became available.

23. *Paragraph 26.*—The Committee were glad to learn that as a result of the new organisation set up last year for drafting Army Instructions the number of cases of faultily expressed rules and orders were appreciably less in the year under report than that noticed in previous years.

24. *Dairy Farms.*—The reasons for the net loss of Rs. 73,369 shown by the consolidated profit and loss accounts of the Military Dairy Farms for 1939-40 as against the net profit of Rs. 15,601 in the previous year were examined. It was explained that this was mainly due to the purchase of a dairy farm at Kalsi which had shown a loss of Rs. 58,940 during the first year of its working as a Military Dairy. A contractor had only just started the farm with the backing of the Military authorities, when two British Regiments on whose custom he was relying, were transferred out of India at short notice under the orders of His Majesty's Government, and to reduce the compensation payable to a minimum, the farm had to be bought and taken over as a military dairy. The slight increase in overhead charges was the result of the amalgamation of certain grass farms with local dairy farms, and the loss incurred in running the farms in 1939-40 would be treated as a set-off against the accumulated profits in the reserves fund. The Committee, however, considered that there was a case for increasing the selling prices for the milk, butter and cream sold to the troops and desired that action should be taken to fix the selling prices so that while no undue profit was made out of the troops the farms should be made to pay their way.

APPENDIX I.

Statement showing action taken or proposed to be taken on recommendations made by the Central Public Accounts Committee.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Railways.
1	1934-35 1935-36 1936-37 1937-38 1938-39	12-P. . . . 9-R. and 26-P. 7-P. 5-P. 3-P.	That a further report to show the progress made in relation to the programme of reductions in the total number of inspection carriages should be made to the Committee next year.
2	1937-38 1938-39	18-P. . . . 8-P.	That the Committee be informed next year whether the question of modifying the agreements of the E. I. and E. B. Railways with their auctioneers so as to secure payment of auctioned materials before removal had been satisfactorily settled.
3	1938-39	12-R. . . . and 15-P.	That while the procedure of lump sum cuts should be continued, the proportion of the cuts applied should be somewhat restricted.
4	1938-39	14-R. . . . and 19 to 24-P.	That the possibility of treating the cases of unsanctioned expenditure at present enumerated in Annexure A to the Appropriation Accounts as objectionable as a domestic matter for settlement between the railway administrations and the audit authorities should be examined and that a report on the conclusions reached should be submitted to the Committee next year.
5	1938-39	14-P. . . .	That in future a 'key' statement should be prepared, on the lines of that supplied by the Auditor General on the Civil Appropriation Accounts, to correlate the references on each Railway grant contained in the various accounts and Reports presented to the Committee.
			Education, Health and Lands Department.
6	1937-38 1938-39	9-P. . . . 30-P.	That a copy of the audited accounts and the audit certificate received from the Bose Research Institute, Calcutta, should be shown to the Accountant General, Central Revenues.
7	1937-38	9-P. . . .	That the Corporation of Calcutta should be moved to exempt the Calcutta Museum from the municipal taxes and with this end in view the small charge for admission to the Museum on certain days should be abolished.
8	1938-39	33-P. . . .	That a note should be supplied to the Committee next year on the question of the possible savings involved in one of the alternatives proposed in Sir Leonard Woolley's Report on the administration of the Archaeological Department.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken
The Committee considered the report (Appendix XIII) on the subject
The Committee considered the report (Appendix XIV) on the subject
This has been noted.
The Committee considered the memorandum (Appendix XII) on the subject and agreed that the limit of Rs 10,000 observed hitherto with regard to exhibition of the particulars of unsanctioned expenditure in the Appropriation Accounts should be raised to Rs. 25,000.
The 'Key' statement will be prepared in future and that for the accounts for 1939-40 will be supplied to the Committee at its next meeting.
The action desired has been taken, vide note 1 at page 137 of the Appropriation Accounts (Civil) 1939-40 and the Audit Report 1941
The Corporation of Calcutta had again been addressed on the question of exempting the Museum from municipal taxes if the present small charge for admission on certain days was abolished, and their reply was still awaited
The Committee considered the note (Appendix III) furnished on the subject

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Finance Department.
9	1937-38 1938-39	5-R. . . . 1-P. and 21-P. 5-R. and 39-P.	That the question should be considered of communicating the High Commissioner's estimates of leave and deputation salaries paid in England to the Departments concerned for them to intimate any broad modifications which would appear to be required on the basis of their knowledge as to the number of officers likely to be on leave during the budget year and that a further report on this question be submitted next year.
10	1937-38 1938-39	9-R. and 29-P. . 41-P.	That the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt there should not be a separate provision for amortisation of Railway debt, once the first quinquennium of the Niemeyer Award is over.
11	1938-39	4-R. . . . and 40-P.	That the scheme for the revision of the compilation of the Detailed estimates and Demands for Grants should be tried as an experiment for one year.
12	1938-39	4-R. . . . and 7-R.	That the system of making lump sum cuts for probable savings should continue, though this may at times lead to expenditure in excess of provision, and should be applied vigorously at the time of the budget estimates particularly in the case of new works.
13	1938-39	43-P. . . .	That control of sub-head G.-Trade Department in Grant No. 23—India Office and High Commissioner's Establishment charges should be taken over by the Commerce Department against whom this sub-head should be shown in future in the Key Statement.
14	1938-39	45-P. . . .	That the result of the examination of the proposal for the formation of a reserve fund from the profits from the circulation of small coin in excess of an average figure with which to meet the loss on the return of small coin in periods of trade depression should be reported to the Committee next year.
			Communications Department.
15	1935-36 1936-37 1937-38 1938-39	12-R. and 111-P. . 8-R. and 41-P. 10-R. and 48-P. 54-P.	That as the Port of Vizagapatam is likely to continue to be a burden on the general tax-payer unless the Railway has a stake in its development the question of handing over the Port to the Bengal Nagpur Railway should be actively pursued and a report should be submitted to the Committee next year.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken
The Committee considered the note (Appendix V) submitted on the subject.
The question will be considered in connection with the [illegible]
The Committee considered the memorandum (Appendix [illegible]) [illegible] as to whether the [illegible] proposal for the [illegible]
Noted.
Noted.
The Committee considered the note (Appendix VI) on the subject and approved of the procedure indicated therein.
The Committee were informed that the [illegible] Railway had been addressed in the matter and that their reply was being awaited.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Posts and Telegraphs.
16	1938-39	64-P. . . .	That the *ex-gratia* payment of interest on Post Office Cash Certificates held in excess of the prescribed limit need not be treated as infructuous payments and that in future such cases might be omitted from the list of losses.
17	1938-39	66-P. . . .	That as the stock limit for stores at present prescribed appeared to be too low, the question of increasing the limit should be considered so as to avoid giving rise to an apparent irregularity in regard to the balance of surplus stores.
			Home Department.
18	1938-39	61-P. . . .	That in cases of fraud or defalcation departmental proceedings as to the responsibility of the officials concerned should be started as soon as possible and that in most instances the departmental enquiry should be instituted before the Court proceedings and where one official is being prosecuted the cases against the other officials involved should be kept ready for being taken up immediately the Court has come to a final decision.
			External Affairs Department.
19	1929-30 1934-35 1935-36 1936-37 1937-38 1938-39	114-P. . . . 27-P. 78-P. 60-P. 72-P. 72-P.	That a decision on the question of the incidence of Persian Gulf expenditure should be arrived at as soon as possible and a further report furnished to the Committee next year.
			Labour Department.
20	1938-39	86-P. . .	That the position in regard to the Central Public Works Department Nursery at Jurbagh, New Delhi the *pro-forma* account of which for 1938-39 revealed an unsatisfactory tendency should be carefully watched to see that there was no such deterioration in the nursery as to affect its financial position.
			Defence Services.
21	1926-27 1928-29 1929-30 1933-34 1934-35 1935-36 1936-37 1937-38 1938-39	25-R. . . . 91-P. 118-P. 36-P. 20-P. 57-P. 2-P. (Mily.) 2-P. („) 3-P. („)	That the revised rules for the allocation of Ecclesiastical expenditure should, if possible, be brought into operation with effect from the financial year 1941-42.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.
It was explained to the Committee that such cases were not now included in the list of losses
The Committee were informed that it was the policy of the Postal Department to build up stocks but success had been limited owing to difficulties in obtaining supplies and to increased consumption consequent on war.
Exhaustive instructions as to the action to be taken by the Head of a Department or office as soon as a case of defalcation or fraud comes to notice have already been issued. So far as cases of fraud referred to in paragraph 61 of the Report are concerned, it is hoped that the action by the Director General, Posts and Telegraphs, would prove effective There hardly seems to be a case for issuing further general orders in the matter. The Committee desired that a copy of the instructions and orders should be laid before them
The Committee agreed that the decision should be postponed till the end of the war.
Suitable steps have been taken by the Chief Engineer, Central P. W. D. to avoid a loss to Government on the working of the Nursery which is now being run at a reasonable profit
The Committee were informed that the revised rules had been brought into operation with effect from the 1st April 1941 and that a suitable formula for the allocation of pensionary charges was under discussion.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
22	1936-37 1937-38 1938-39	4-R. and 15-P. 6-P. 5-P. } M. A. C. .	That the question of the simplification of headings in the Defence Budget though of no great urgency at the moment, may be pursued as far as present conditions permit in order that the conclusions reached may be carried into effect after the war.
23	1938-39	3-R. . . . and 20-P.	That the question of devising a revised system of framing estimates for M. E. S. Works on the lines of that adopted in England may be further considered in due course in order to reduce the variations between the estimates and the actual cost of works which were mainly attributed to the procedure under which an interval of more than a year obtained between the according of administrative approval to a work and its commencement.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken
The Committees were informed that it would not be possible to pursue the matter during the war and that the question would be taken up when the form of Defence Budget was revised at the end of the war.
The Committee considered the procedure outlined in Appendix XV and agreed that the procedure should be applied to all works needed for the prosecution of the war while for peace time works like the Quetta Project the ordinary full procedure would continue to be applied.

APPENDIX II.

Statement Comparing expenditure with grants for 1939-40.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Customs:				
Voted	79,07,000	77,97,249	1,09,751	..
Non-voted	*4,86,910*	*4,84,575*	*2,335*	..
2. Central Excise Duties:				
Voted	10,15,000	10,14,456	544	..
Non-voted	*32,95,753*	*32,61,844*	*33,909*	..
3. Taxes on Income including Corporation Tax:				
Voted	76,34,000	75,14,081	1,19,919	..
Non-voted	*1,73,918*	*1,71,597*	*2,321*	..
4. Salt:				
Voted	58,42,000	58,26,394	15,606	..
Non-voted	*44,18,597*	*44,16,077*	*2,520*	..
5. Opium:				
Voted	24,21,000	22,45,232	1,75,768	..
Non-voted	*1,47,967*	*1,47,963*	*4*	..
6. Provincial Excise:				
Voted	4,58,000	4,65,739	..	7,739
Non-voted	*26,675*	*26,675*	..	..
7. Stamps:				
Voted	18,80,000	18,48,314	31,686	..
Non-voted	*1,87,600*	*1,89,393*	..	*1,793*
8. Forest:				
Voted	5,77,000	5,41,319	35,681	..
Non-voted	*2,82,000*	*2,83,462*	..	*1,462*
9. Irrigation (including *working expenses*), *Navigation*, Embankment and Drainage Works:				
Voted	2,08,000	2,00,197	7,803	..
Non-voted	*10,68,472*	*10,77,806*	..	*9,334*
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt:				
Voted	93,92,000	92,52,174	1,39,826	..
Non-voted	*11,41,95,800*	*11,07,70,836*	*34,24,964*	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted	More than granted
	Rs.	Rs	Rs	Rs
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
12. Executive Council:				
Voted	1,31,800	1,18,012	13,788	..
Non-voted	*5,11,411*	*5,09,459*	*1,952*	—
13. Council of State:				
Voted	1,28,000	1,18,580	9,420	..
Non-voted	..	—	..	—
14 Legislative Assembly and Legislative Assembly Department:				
Voted	*8,21,000*	*6,70,223*	*1,50,777*	—
Non-voted	*56,900*	*57,156*	..	*256*
15. Home Department:				
Voted	8,37,000	7,72,003	64,997	..
Non-voted	*20,30,834*	*20,35,589*	..	*4,755*
16. Legislative Department:				
Voted	4,07,000	4,05,144	1,856	..
Non-voted	*2,02,800*	*2,02,360*	*440*	—
17. Department of Education, Health and Lands:				
Voted	6,11,900	6,04,917	6,983	—
Non-voted	*2,35,772*	*2,34,922*	*850*	—
18 Finance Department:				
Voted	5,83,000	5,75,400	7,600	..
Non-voted	*11,72,271*	*11,80,852*	—	*8,581*
19 Commerce Department:				
Voted	4,39,900	4,33,037	6,863	..
Non-voted	*1,96,025*	*1,98,392*	—	*2,367*
20. Department of Labour:				
Voted	4,64,000	4,23,419	40,581	..
Non-voted	*1,97,741*	*1,96,127*	*1,614*	—
21. Department of Communications:				
Voted	2,04,000	2,01,184	2,816	..
Non-voted	*1,35,358*	*1,35,066*	*292*	..
22. Central Board of Revenue:				
Voted	5,41,000	5,37,762	3,238	..
Non-voted	*2,11,720*	*2,09,584*	*2,136*	..
23 India Office and High Commissioner's Establishment Charges:				
Voted	19,57,000	19,65,467	..	8,467
Non-voted	*22,97,000*	*22,89,265*	*7,735*	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
24. Payments to Other Governments, Departments, etc., on account of services rendered .	1,20,000	1,18,577	1,422	..
25. Audit				
Voted . .	90,12,000	88,27,257	1,84,743	..
Non-voted .	*5,47,500*	*5,37,722*	*17,063*	..
26. Administration of Justice .				
Voted .	88,700	68,967	19,733	..
Non-voted .	*7,58,700*	*7,30,290*	*28,410*	..
27. Police				
Voted . .	6,43,000	6,29,573	13,427	..
Non-voted .	..	..	..	..
28. Ports and Pilotage :				
Voted . .	13,25,200	13,28,738	..	3,538
Non-voted .	*3,00,222*	*2,97,227*	*2,994*	..
29. Lighthouses and Lightships .				
Voted . .	9,33,000	9,32,509	491	..
Non-voted .	*20,000*	*20,079*	..	*79*
30. Survey of India :				
Voted . .	16,08,000	14,78,221	1,29,779	..
Non-voted .	*6,84,850*	*6,79,125*	*5,725*	..
31. Meteorology .				
Voted . .	14,92,000	14,51,158	40,842	..
Non-voted .	*88,000*	*88,078*	..	*78*
32. Geological Survey :				
Voted	2,63,000	2,35,394	27,606	..
Non-voted .	*2,00,430*	*1,99,824*	*606*	..
33. Botanical Survey :				
Voted . .	49,000	38,971	10,029	..
Non-voted .	*26,500*	*24,430*	*2,070*	..
34. Zoological Survey :				
Voted . .	1,60,000	1,30,388	29,612	..
Non-voted .	*46,000*	*45,987*	*13*	..
35. Archaeology :				
Voted . .	10,14,000	9,82,176	31,824	..
Non-voted .	*77,588*	*77,708*	..	*120*
36. Mines :				
Voted . .	1,47,000	1,42,173	4,827	..
Non-voted .	*34,522*	*33,758*	*764*	..
37. Other Scientific Departments :	2,75,000	2,73,110	1,890	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I—CIVIL—*contd*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
38. Education:				
Voted . .	6,53,000	6,53,017	..	17
Non-voted .	*1,000*	*958*	*42*	..
39. Medical Services:				
Voted . .	6,90,000	6,85,171	4,829	..
Non-voted .	*2,63,280*	*2,59,295*	*3,985*	..
40. Public Health:				
Voted .	8,41,000	8,02,675	38,325	..
Non-voted .	*2,34,189*	*2,30,273*	*3,916*	..
41. Agriculture:				
Voted . .	28,91,000	27,89,966	1,01,034	..
Non-voted .	*56,076*	*53,670*	*2,406*	..
42 Imperial Council of Agricultural Research Department:				
Voted . .	7,01,000	6,98,981	2,019	..
Non-voted .	*1,65,504*	*1,65,462*	*42*	..
43. Scheme for the Improvement of Agricultura Marketing in India.	4,49,000	4,42,805	6,195	..
44. Imperial Institute of Sugar Technology .	1,000	..	1,000	..
45. Civil Veterinary Services.				
Voted . .	7,29,000	7,06,896	22,104	..
Non-voted .	*30,000*	*29,740*	*260*	..
46. Industries:				
Voted . .	8,45,000	8,35,853	9,147	..
Non-voted .	*400*	*377*	*23*	..
47. Aviation:				
Voted . .	39,54,000	35,33,963	4,20,037	..
Non-voted .	*165*	*165*	..	..
48. Capital Outlay on Civil Aviation charged to Revenue.	1,000	..	1,000	..
49 Broadcasting: . .	25,96,000	25,46,706	49,294	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*		..		
50. Capital Outlay on Broadcasting :				
Voted . .	1,000	..	1,000	..
51. Indian Stores Department :				
Voted . .	21,16,000	20,84,383	31,617	..
Non-voted	*83,200*	*82,276*	*924*	..
52. Commercial Intelligence and Statistics :				
Voted . .	7,38,000	7,03,598	34,402	..
Non-voted .	*77,199*	*77,454*	..	*255*
53. Census :				
Voted . .	42,000	29,278	12,722	..
Non-voted .	*93,030*	*85,088*	*7,942*	..
54. Emigration—Internal :				
Voted . .	12,000	8,018	3,982	..
55. Emigration—External :				
Voted . .	1,47,000	1,45,891	1,109	..
Non-voted .	*1,90,122*	*1,89,424*	*698*	..
56. Joint Stock Companies :				
Voted . .	1,58,000	1,56,074	1,926	..
57. Miscellaneous Departments :				
Voted . .	4,76,000	4,56,009	19,991	..
Non-voted .	*25,908*	*25,623*	*285*	..
58. Currency :				
Voted . .	12,64,000	12,42,320	21,680	
Non-voted .	*1,33,350*	*1,711*	..	*15,361*
59. Mint :				
Voted . .	23,99,000	24,09,537	..	10,537
Non-voted .	*1,22,289*	*1,22,832*	..	*543*
60. Civil Works :				
Voted . .	71,74,000	68,33,186	3,40,814	..
Non-voted .	*22,43,867*	*22,16,526*	*27,341*	..
61. Central Road Fund :				
Voted . .	1,61,00,000	1,61,00,000	..	..
62. Superannuation Allowances and Pensions :				
Voted . .	1,10,13,000	1,05,88,306	4,24,694	..
Non-voted .	*1,71,83,100*	*1,72,97,858*	..	*1,14,758*

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted	More than granted.
	Rs.	Rs	Rs.	Rs.
PART I.—CIVIL—*contd*				
A—EXPENDITURE CHARGED TO REVENUE—*contd*				
63. Stationery and Printing :				
Voted	53,74,000	53,33,622	40,378	..
Non-voted	*54,404*	*52,133*	*2,271*	..
64. Miscellaneous .				
Voted	15,90,000	11,15,536	4,74,464	..
Non-voted	*2,51,659*	*2,53,957*	..	*2,298*
65. Grants-in-aid to Provincial Governments :				
Voted	1,16,000	1,16,200	.	200
Non-voted	*3,03,00,000*	*3,03,00,000*	..	.
66. Miscellaneous Adjustments between the Central and Provincial Governments :—				
Voted	1,62,000	1,54,928	7,072	..
67. Expenditure on Retrenched personnel charged to Revenue ·				
Voted	5,000	.	5,000	..
67-A. Transfer to Revenue Reserve Fund :	91,30,000	7,77,16,233		6,85,86,233
68. Delhi .				
Voted	48,73,000	48,66,064	6,936	..
Non-voted	*2,92,536*	*2,85,012*	*7,524*	..
69. Ajmer-Merwara				
Voted	49,85,000	48,75,392	1,09,608	..
Non-voted	*2,85,994*	*2,84,604*	*1,390*	..
70 Panth Piploda				
Voted	13,000	11,510	1,490	..
71. Andaman and Nicobar Islands :				
Voted	35,60,000	35,89,101	.	29,101
Non-voted	*1,65,550*	*1,69,518*	.	*3,968*
Staff, Household and Allowances of the Governor General :				
Non-voted	*18,14,173*	*18,07,918*	*6,255*	.
Secretariat of the Governor General :				
Non-voted	*4,22,403*	*4,16,653*	*5,750*	—
Principal Supply Officers Committee .				
Non-voted	*78,360*	*78,129*	*231*	..
Federal Public Service Commission :				
Non-voted	*5,05,363*	*5,03,925*	*1,438*	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation. Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*concld.*				
Defence Department:	*6,45,873*	*6,42,065*	*3,808*	..
Ecclesiastical:	*30,49,902*	*30,22,323*	*27,579*	..
Payments to Crown Representative	*1,42,20,793*	*1,41,05,188*	*1,15,605*	..
Tribal Areas:	*1,90,03,814*	*1,88,59,339*	*1,44,475*	..
External Affairs:	*70,32,032*	*69,56,358*	*75,674*	..
Baluchistan:	*60,96,513*	*60,45,892*	*50,621*	..
Department of Supply:	*6,56,100*	*6,49,089*	*7,011*	..
Miscellaneous Expenditure connected with the War:	*9,43,874*	*8,31,586*	*1,12,288*	..
Total—Expenditure Charged to Revenue	38,96,28,477	45,06,46,708	77,93,594	6,88,11,825
Total Voted	14,78,94,600	21,28,94,532	36,45,898	6,86,45,830
Total *Non-voted*	*24,17,33,877*	*23,77,52,176*	*41,47,696*	*1,65,995*
B.—EXPENDITURE CHARGED TO CAPITAL.				
75. Capital Outlay on Vizagapatam Harbour:	39,000	45,607	..	6,607
76. Delhi Capital Outlay:	18,05,000	17,74,006	30,994	..
77. Commuted Value of Pensions:				
Voted	1,000	—14,47,570	14,48,570	..
Non-voted	*8,84,600*	*4,33,720*	*4,50,880*	..
77-A. Capital Outlay on Schemes of Agricultural Improvement and Research:	..	—433	433	..
Total—Expenditure Charged to Capital	27,29,600	8,05,330	19,30,877	6,607
Total Voted	18,45,000	3,71,610	14,79,997	6,607
Total *Non-voted*	*8,84,600*	*4,33,720*	*4,50,880*	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted	More than granted.
	Rs.	Rs	Rs.	Rs
PART I.—CIVIL—*concld.*				
C.—DISBURSEMENT OF LOANS AND ADVANCES.				
78. Interest Free Advances:	61,67,000	60,27,596	1,39,404	
80 Loans and Advances bearing interest:	59,75,000	58,11,735	1,63,265	
Advances to Crown Representative for Loans to Indian States and Notabilities ·	*8,46,840*	*6,68,434*	*1,78,406*	
Total—Disbursements of Loans and Advances	1,29,88,840	1,25,07,765	4,81,075	
Total { Voted	1,21,42,000	1,18,39,331	3,02,669	
Total { *Non-voted*	*8,46,840*	*6,68,434*	*1,78,406*	
Total.—Civil	40,53,46,917	46,39,59,803	1,02,05,546	6,88,18,432
Total { Voted	16,18,81,600	22,51,05,473	54,28,564	6,86,52,437
Total { *Non-voted*	*24,34,65,317*	*23,88,54,330*	*47,76,982*	*1,65,995*
PART II.—POSTS AND TELEGRAPHS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
10. Indian Posts and Telegraphs Department:				
Voted	10,73,72,900	10,70,47,478	3,25,422	
Non voted	*90,35,700*	*90,82,830*		*47,130*
B.—EXPENDITURE CHARGED TO CAPITAL.				
72. Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue) ·	18,34,000	13,82,231	4,51,769	
73. Stores and Workshop Expenditure not charged to Revenue:	1,000	—2,50,714	2,51,714	
74. Appropriation to the Telephone Development Fund (not charged to Revenue) ·	1,000		1,000	
Total—Expenditure Charged to Capital	18,36,000	11,31,517	7,04,483	
Total.—Posts and Telegraphs	11,82,44,600	11,72,61,825	10,29,905	47,130
Total { Voted	10,92,08,900	10,81,78 995	10,29,905	
Total { *Non-voted*	*90,35,700*	*90,82,830*		*47,130*

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board :				
Voted	9,39,498	9,07,646	31,852	..
Non-voted	*4,85,000*	*4,85,518*	..	*518*
2. Revenue—Audit :				
Voted	14,90,000	14,70,113	19,887	..
Non-voted	*2,17,000*	*2,16,184*	*816*	..
3. Revenue—Miscellaneous Expenditure :				
Voted	15,44,899	11,94,756	3,50,143	..
Non-voted	*15,56,000*	*15,05,346*	*50,654*	..
5. Revenue—Payments to Indian States and Companies :				
Voted	3,12,25,000	3,06,46,479	5,78,521	..
6-A. Revenue—Working Expenses—Maintenance of Structural Works :				
Voted	7,74,50,000	7,89,71,656	..	15,21,656
Non-voted	*23,41,000*	*23,26,455*	*14,545*	..
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power :				
Voted	18,14,34,900	17,97,76,261	16,58,639	..
Non-voted	*10,38,000*	*10,41,701*	..	*3,701*
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock :				
Voted	6,13,00,000	5,79,72,520	33,27,480	..
Non-voted	*4,73,000*	*4,79,167*	..	*6,167*
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :				
Voted	28,32,000	28,88,691	..	56,691
Non-voted	*18,000*	*17,830*	*170*	..
6-E. Revenue—Working Expenses—Expenses of Traffic Department :				
Voted	9,91,98,000	9,91,50,930	47,070	..
Non-voted	*12,79,000*	*13,07,928*	..	*28,928*
6-F. Revenue—Working Expenses—Expenses of General Departments :				
Voted	3,87,83,000	3,87,39,668	43,332	..
Non-voted	*23,56,000*	*23,77,642*	..	*21,643*

Number and name of Grant or Appropriation	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation: Less than granted	More than granted
	Rs.	Rs.	Rs	Rs
PART III.—RAILWAYS—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
6 G. Revenue—Working Expenses—Miscellaneous Expenses:				
Voted	4,39,35,000	4,34,74,149	4,60,851	
Non-voted	*11,84,000*	*11,85,217*	.	*1,217*
6-H Revenue—Working Expenses of Electrical Department:				
Voted	3,87,69,000	3,77,81,495	9,87,505	
Non-voted	*2,67,000*	*2,80,967*		*13,967*
7. Revenue—Appropriation to Depreciation Reserve Fund	12,58,54,000	12,58,53,963	37	..
8. Revenue—Interest Charges:				
Voted	2,64,000	2,63,064	936	
Non-voted	*28,89,53,000*	*29,03,24,557*		*13,71,557*
Total—Railway expenditure charged to Revenue	1,00,51,86,297	1,00,11,39,903	75,72,438	35,26,044
Total — Voted	70,50,19,297	69,90,91,391	75,06,253	15,78,347
Total — *Non-voted*	*30,01,67,000*	*30,20,48,512*	*66,185*	*19,47,697*
B.—EXPENDITURE CHARGED TO CAPITAL.				
11 Capital—New Construction				
Voted	79,60,000	69,90,239	9,69,761	
Non-voted	*47,000*	*37,508*	*9,492*	
12 Open Line Works				
Voted	10,48,70,000	10,29,58,142	19,11,858	
Non-voted	*1,30,000*	*1,02,551*	*27,449*	
Total—Railway expenditure charged to Capital	11,30,07,000	11,00,88,440	29,18,560	
Total — Voted	11,28,30,000	10,99,48,381	28,81,619	
Total — *Non-voted*	*1,77,000*	*1,40,059*	*36,941*	
Total—Railways	1,11,81,93,297	1,11,12,28,343	1,04,90,998	35,26,044
Total — Voted	81,78,49,297	80,90,39,772	1,03,87,872	15,78,347
Total — *Non-voted*	*30,03,44,000*	*30,21,88,571*	*1,03,126*	*19,47,697*

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART IV.—DEFENCE SERVICES.				
A.—EXPENDITURE CHARGED TO REVENUE.*				
58. Defence Services—Effective—				
Non-voted .	*40,87,54,000*	*41,56,44,000*	..	*68,90,000*
59.—Defence Services—Non-effective—				
Non-voted .	*8,79,78,000*	*8,69,99,000*	*9,79,000*	..
Total.—*Defence Services (Non-voted)* . . .	*49,67,32,000*	*50,26,43,000*	*9,79,000*	*68,90,000*
GRAND TOTAL . .	2,13,85,16,814	2,19,50,92,971	2,27,05,449	7,92,81,606
TOTAL { Voted . .	1,08,89,39,797	1,14,23,24,240 (a)	1,68,46,341	7,02,30,784
TOTAL { *Non-voted* .	*1,04,95,77,017*	*1,05,27,68,731* (b)	*58,59,108*	*90,50,822*

* The figures are *gross*.

(*a*) This amount is more than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1939-40 by Rs. 8,27,328 which is due to the fact that credits to capital for the value of assets sold and abandoned in the Posts and Telegraphs Department have not been taken into account in the Appropriation Accounts of that Department as the Demand was for the gross capital expenditure.

(*b*) This amount is less than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1939-40 by Rs. 278 which is due to rounding.

APPENDIX III.

Note regarding possible savings in the upkeep of Gardens attached to ancient monuments.

At their meeting held on the 19th August, 1910, the Public Accounts Committee desired that they should be supplied with a report this year on the question of possible savings involved in one of the recommendation of Sir Leonard Woolley regarding the upkeep of the gardens attached to the ancident monuments. The question is dealt with below.

2. All the gardens referred to by Sir Leonard Woolley are in Northern ... derived from ... should ... orthern

(1) that municipalities should make percentage contribution towards the upkeep of gardens within their own administrative areas, or

(2) if it were impossible to persuade the municipalities to pay such subsides or to maintain them on terms which would leave to the department a measure of control incompatible with archæological responsibilities, the proceeds of entrance-fee to certain monuments under the control of Archæological Department which amounted to Rs 75,000 a year should not be surrendered to Government but should be retained by the Archæological Department as a partial off-set to the garden expenses.

... control of the Archæolo- ... hed to them and the total ... to Rs 96,978 (including a ... overnment for supervision and maintenance of gardens in United Provinces). All gardens, except one, are situated within the limits of municipalities or Notified area Committee. ... free to any of the gardens as such but the gardens in ... within the archæological areas and a fee ... r admission to these areas. Sir Leonard's ... o the municipal committees concerned, as the Department is not disposed to accept it The Department is equally opposed to a possible alternative, namely, the levy of a charge for admission to all Archæological gardens. It is not feasible to adopt Sir Leonard's second suggestion, to retain receipts from admission fee to certain monuments and meet ... of gardens therefrom, as it is contrary to ... Central Govern-

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART IV.—DEFENCE SERVICES.				
A.—EXPENDITURE CHARGED TO REVENUE.*				
58. Defence Services—Effective—				
Non-voted	*40,87,54,000*	*41,56,44,000*	..	*68,90,000*
59.—Defence Services—Non-effective—				
Non-voted	*8,79,78,000*	*8,69,99,000*	*9,79,000*	..
Total.—*Defence Services (Non-voted)*	*49,67,32,000*	*50,26,43,000*	*9,79,000*	*68,90,000*
GRAND TOTAL	2,13,85,16,814	2,19,50,92,971	2,27,05,449	7,92,81,606
TOTAL { Voted	1,08,89,39,797	1,14,23,24,240 (a)	1,68,46,341	7,02,30,784
TOTAL { *Non-voted*	*1,04,95,77,017*	*1,05,27,68,731* (b)	*58,59,108*	*90,50,822*

* The figures are *gross*.

(*a*) This amount is more than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1939-40 by Rs. 8,27,328 which is due to the fact that credits to capital for the value of assets sold and abandoned in the Posts and Telegraphs Department have not been taken into account in the Appropriation Accounts of that Department as the Demand was for the gross capital expenditure.

(*b*) This amount is less than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1939-40 by Rs. 278 which is due to rounding.

APPENDIX III.

Note regarding possible savings in the upkeep of Gardens attached to ancient monuments.

At their meeting held on the 19th August, 1940, the Public Accounts Committee desired that they should be supplied with a report this year on the question of possible savings involved in one of the recommendation of Sir Leonard Woolley regarding the upkeep of the gardens attached to the ancident monuments The question is dealt with below

2. All the gardens referred to by Sir Leonard Woolley are in Northern India and as the finances of the Archæological Department are derived from Central Government, Sir Leonard considered it unfair that South India should contribute quite a disproportionate amount to the amenities of the Northern cities He accordingly proposed two alternatives, *viz*,

(1) that municipalities should make percentage contribution towards the upkeep of gardens within their own administrative areas, or

(2) if it were impossible to persuade the municipalities to pay such subsides or to maintain them on terms which would leave to the department a measure of control incompatible with archæological responsibilities, the proceeds of entrance-fee to certain monuments under the control of Archæological Department which amounted to Rs. 75,000 a year should not be surrendered to Government but should be retained by the Archæological Department as a partial off-set to the garden expenses.

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and maintenance of gardens in United Provinces). All gardens, except one, are situated within the limits of municipalities or Notified area Committee. There is no admission free to any of the gardens as such but the gardens in Lahore and Delhi Forts are situated within the archæological areas and a fee of annas two per head is charged for admission to these areas Sir Leonard's first proposal has not yet been put to the municipal committees concerned, as the Department is not disposed to accept it The Department is equally opposed to a possible alternative, namely, the levy of a charge for admission to all Archæological gardens It is not feasible to adopt Sir Leonard's second

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ment by adopting the suggestion.

APPENDIX IV.

Memorandum regarding the revision in the form of the compilation of the Detailed Estimats and Demands for Grants.

At their meeting on the 20th August 1940, the Public Accounts Committee agreed that a revision of the Detailed Estimates and Demands for Grants should be carried out by the Finance Department in consultation with the Auditor General and the results examined after one year. The details were worked out in consultation with the Auditor General and a skeleton of a demand was circulated to the members on the 27th November 1940. The Demands for Grants presented to the Legislature in February 1941 followed the arrangements of this skeleton. The volume of the Demands for Grants for 1941-42 contains about 464 pages as compared with about 850 pages of the previous compilation.

2. The Demands now contain broadly :—

(*i*) Part I showing the estimated amount of the voted demand and the non-voted appropriation for the ensuing financial year.

(*ii*) Part II showing the distribution by sub-heads of the amounts shown in Part I and also of the current year's budget and revised estimates and the previous year's actuals.

(*iii*) Part III showing the distribution by circles of account for each sub-head.

(*iv*) Annexure showing by important categories the details of the provisions under " Pay of Officers " and " Pay of Establishments" in the current and ensuing years.

(*v*) In addition, important items of new expenditure are indicated by means of footnotes which also contain references to the proceedings of the Standing Finance Committee in respect of schemes examined by that Committee.

3. Parts I and II repeat the old arrangement except that the number of subheads in Part II has been reduced wherever feasible by adopting larger units of appropriations.

Part III is mostly an elaboration of the previous Part II-A which gave distribution only in lump and not for each sub-head.

The annexure and the footnotes contain, between them, in condensed form, all the important information which used to be found scattered in a mass of details in Part III of the old compilation.

4. While resulting in a substantial saving in paper and printing, the present compilation contains in essentials all that was important in the previous compilation. It has not sacrified any information which is really useful to the Legislature and so far as the Government of India are aware, the members of the Legislature have not felt any inconvenience by these revised arrangements.

5. The Government of India have carefully re-examined this matter in the light of experience in consultaion with the Auditor General. They have

now come to the conclusion that Part III of the present compilation is unnecessary and does not justify the labour and cost of compiling it. As explained in the Memorandum considered by the Public Accounts Committee on the 20th August 1940, this part is useful mostly for appropriation audit purposes and, to a slight extent, for administrative control purposes. It is, however, of no practical utility or value from the point of view of the Legislature and in view of the imperative need for economy of time, of labour and of paper, it is considered unnecessary to include it in the Demands for Grants. This part has this year taken more than 150 pages and in many cases taken up much unnecessary space.

6. Subject to the omission of Part III the Government of India propose to continue for the time being the present scheme which has proved satisfactory from all points of view. The Auditor General is fully in agreement with this proposal and the Government of India hope that the Public Accounts Committee will also concur in it.

APPENDIX V.

Note regarding estimating of leave and deputation salaries paid in England.

In paragraph 5 of their Report on the Appropriation Accounts of 1938-39, the Public Accounts Committee desired that the question of modifying the High Commissioner's estimates for leave and deputation salaries on the basis of the knowledge about leave programmes available in India should be pursued and that a further report should be submitted to them.

2. Owing to the great delay in communications caused by war conditions full details of the High Commissioner's estimates reached India very late this year and in some cases actually after the preparation of the budget. Broad summaries under each head were however obtained by telegram and circulated to Departments. The time available for detailed examination was very short but the estimates were checked as far as possible and corrected where necessary in the light of the information available. The practice of modifying the High Commissioner's estimates in consultation with the authorities in India will be continued in future though it will not be possible to ascertain the extent of the improvement in estimating capable of being brought about by this procedure till normal conditions return.

APPENDIX VI.

Note regarding formation for Reserve Fund from profits from the circulation of small coin.

In paragraph 45 of the Proceedings on the Appropriation Accounts of 1938-39, the Public Accounts Committee desired to be informed of the result of the examination of the proposal for the formation of a Reserve Fund from the profits from the circulation of small coin to meet losses on return of small coin in periods of trade depression

As explained in paragraph 26 of the Budget speech for 1941-42, it has been decided that with effect from the current year, only a sum of Rs 45 lakhs from the profits from the circulation of small coin will be taken to Revenue and that any balance over this figure will be credited to a Suspense Account which will be available to even out the receipts over a series of years This figure of 45 lakhs represents the average profits from Bronze and Nickel coinage during 1933-34 to 1937-38 which were taken as normal years The new procedure will tend to keep the revenue receipts from this source stable from year to year and will mitigate instead of aggravating the difficulties experienced in years of depression on this account

APPENDIX IX.

Memorandum regarding the fixing of percentages of variations between grant for appropriation and actual expenditure below which explanations need not ordinarily be furnished in the Appropriation Accounts of the Posts and Telegraphs Department.

At the meeting held on the 2nd August 1937, the Public Accounts Committee approved for a period of 2 years (*vide* paragraph 95 of the proceedings) of the limits below which explanations need not ordinarily be furnished in the Appropriation Accounts of the Posts and Telegraphs Department in respect of variations between the grant or appropriation and the actual expenditure. The question was again considered in connection with the simplification of the Demands for Grants of the Department introduced from 1938-39, and it was agreed by the Committee at the meeting on 18th August, 1939, that the existing limits might be continued for another 2 years as it was obviously preferable to watch the effect of the simplification on the same basis as before.

2. The grants and sub-heads in the Posts and Telegraphs Department are, as a rule, individually much larger than they are in Civil Departments and the number of subordinate controlling units under the D. G., P. & T. is also very large. Being a commercial Department, the Posts and Telegraphs Department has to adjust its expenditure more closely to the necessities of traffic from time to time and for this reason there are variations which do not occur in non-commercial Departments. Consequently the existing limits applicable to the Posts and Telegraphs Department are in some respect wider than those applicable to other Civil Departments. The main differences are that no explanations are necessary for variations of less than Rs. 1,000 instead of Rs. 100 and for savings of Rs. 10,000 or more explanations are necessary only when these exceed 6 per cent. of the final grant instead of 3 per cent. An examination of the Appropriation Accounts for the last few years has shown that if the civil limits had been applied, no difference would have been made to the picture of budgeting and control. For these reasons, it is considered that the limits previously approved for a limited period may stand with the proviso that in any individual case the Accountant General will have full discretion to make any comments he considers necessary irrespective of the limits. The approval of the Committee is requested to this proposal which is supported by the Auditor General.

APPENDIX X.

Note regarding Powers of Reappropriation.

The powers of the Governor General in Council are exercised by the Finance Department and as such Finance Department have full powers of re-appropriations except, of course, that no re-appropriations are legally permissible between different grants and between non-voted and voted portions of a grant Nor can Finance Department provide funds by re-appropriation for a new service without at least a token grant being voted by the Legislature

2. The other Departments of the Government of India exercised full powers of re-appropriations subject to the following restrictions —

Finance Department's concurrence is required for re-appropriations—

(a) from ' Pay of Officers ' to other sub-heads,

(b) between Indian and English portions of a grant

(c) between Revenue and Capital portions of a grant

(d) from and to the sub-heads for secret service expenditure,

(e) to meet expenditure, other than contingent expenditure, involving further outlay in a future financial year,

(f) of unanticipated credits (i e , recoveries not anticipate in Budget), and

(g) of provision allowed for specified new items for other purposes

3. Authorities subordinate to the Departments of the Government of India have generally been delegated the same powers as the Departments themselves exercise, except that, in respect of civil works expenditure they cannot sanction re-appropriations from or to the units " Major Works " , Minor Works ", and " Repairs " and in the case of Irrigation works, from the unit " Works " to the unit " Maintenance and Repairs "

[illegible] of the Departments of the Govern- [illegible] ave been

The powers of the subordinate authorities have mostly been prescribed in orders issued by the Departments with Finance Department's concurrence.

All these rules and orders are now being collected in the proposed revised issue of the Book of Financial Powers which is under preparation here

APPENDIX XI.

Summary of approximate financial results of Indian State-owned railways in 1940-41.

The latest approximate figures of revenue and expenditure of State-owned railways for 1940-41 show the following results :—

Gross traffic receipts amounted to 111·91 crores or 14·29 crores more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 53·01 crores or 75 lakhs more than in the previous year. The amount set apart for depreciation was 12·64 crores, or 5 lakhs more than in the previous year.

Net traffic receipts amounted to 46·29 crores, or 13·49 crores more than in 1939-40.

Miscellaneous transactions resulted in a net receipt of 85 lakhs, or 21 lakhs more than in the previous year.

The net revenue before meeting interest charges was 47·14 crores, or 13·70 crores more than in 1939-40.

The total interest charges amounted to 28·68 crores, or 43 lakhs less than in 1939-40.

There was a surplus of 18·46 crores against 4·33 crores in 1939-40. Out of this 12·19 crores will be paid to general revenues and 6·27 crores to the reserve fund.

The appropriation to the depreciation reserve fund amounted to 12·64 crores, and the amount withdrawn from that fund was 7·19 crores which included the cost of abandoned assets and a portion of the cost of dismantled lines written off the Capital account during the year. The net accretion to the fund during the year amounted to 5·45 crores.

The balance at credit of this fund now stands at 36·20 crores. This does not take into account 30·29 crores withdrawn from the fund to meet losses during deficit years. In addition to this, 31·21 lakhs have been invested from this fund in the purchase of branch line shares and stock, and 9 lakhs have been advanced to branch line companies as loans.

The amount appropriated to the reserve fund during the year was 6·27 crores. The fund also received a credit of 6·11 lakhs from the sale proceeds of Hardwar-Dehra Railway shares; this amount included a profit of 1·26 lakhs. A sum of 90 lakhs was debited against the fund during the year. This represented the difference between the original cost of certain lines dismantled for shipment overseas and the amount debited to the depreciation reserve fund on their account. The amount at credit of the fund at the close of the year was 5·86 crores. This includes investments (face value) in railway shares, etc., to the tune of 43 lakhs, and also a sum of 2·51 crores representing one-fifth of the surplus in 1940-41 in respect of commercial lines. This amount is ordinarily payable to general revenues in 1942-43, but, for the reasons stated in para. 27 of the Budget Speech of the Hon'ble the Railway Member, will be paid in 1941-42.

The total capital expenditure during the year amounted to about 2 31 crores The stores balances have increased by 1 21 crores, *i e*, from 11 24 crores at the end of 1939-40 to 12·45 crores at the end of 1940-41

At the end of 1939-40 the liabilities of the railways amounted to 66 crores, of which 30 29 crores represented loans from the depreciation fund and 35·71 crores unpaid contributions to general revenues from 1931-32 to 1939-40 Although under the moratorium railway revenues are not yet liable to repay these loans or unpaid contributions, except the unpaid contribution of 30 lakhs for 1939-40, a payment of 3 75 crores will be made to general revenues against these arrears The unpaid contribution of 30 lakhs for 1939-40 will also be paid Thus the total liabilities of the railway now amount to 61·95 crores

The ratio of ordinary working expenses to gross traffic receipts was 47 4% against 53·5% in the previous year

The ratio of the total working expenses (including contribution to the depreciation fund) was 58·6% against 63 4% in the previous year

The ratio of net revenue to the capital-at-charge was 6 19% against 4 41% in the previous year

The following statement compares the results of working for the year 1940-41 with the revised estimates for the year and the actuals for the previous year :—

(In crores)

	1939-40 Actuals	1940-41. Revised estimates	1940-41. Latest approximate actuals.
1 Gross traffic receipts	97 65	109·25	111·94
2 Ordinary operating expenses	52 26	54 07	53·01
3 Depreciation	12 59	12 64	12 64
4 Net traffic receipts	32 80	42 54	46 29
5. Net miscellaneous receipts	0 64	0·79	0 85
6. Interest	29 11	28 74	28 68
7 Surplus	4·33	14 59	18·46

APPENDIX XII.

Memorandum on the method of preparation of the statement of unsanctioned expenditure (Annexure 'A' to the Appropriation Accounts of Railways in India).

The Public Accounts Committee in para. 14 of their report on the Appropriation Accounts of Railways in India for 1938-39 desired that the question of exhibiting in the Appropriation Accounts items of expenditure, incurred without the sanction of competent authority, and held under objection during the year, should be examined and a report on the conclusions reached submitted to them this year.

In this connection the Committee raised two points, *viz*: —

(*a*) Examination of the necessity for the amendment of the rules regarding the preparation of formal estimates in certain cases.

(*b*) Improvement in the method of exhibition of the particulars of unsanctioned expenditure in the Appropriation Accounts.

In regard to (*a*), the cases to which the Committee devoted particular attention were scattered renewals of permanent-way—a matter which was reported to be then under correspondence, and wagons which had been put out to tender. The former has been settled satisfactorily by the amendment of the Code. As regards the latter, the Railway Board have come to the conclusion that estimates should continue to be prepared so that the sanctioning authorities may be aware of the allocation of expenditure between Capital, Depreciation Fund and Revenue, and the Accounts and Audit authorities may have an opportunity of checking it. In regard to the rules generally, the Railway Board consider that no radical change in called for.

As regtrds (*b*), the following conculsions have been arrived at in consultation with the Director of Railway Audit and have been agreed to by the Auditor General, *viz*. —

(*i*) The limit of Rs. 10,000 observed hitherto in regard to the exhibition of the data of unsanctioned expenditure in Annexures 'A', 'A(*i*)' and 'A(*ii*)' to the Appropriation Accounts of Railways in India should be raised to Rs. 25,000.

(*ii*) Annexure 'A' should be presented in the same form as at present except in regard to the re-arrangement of the figures necessitated by (*i*) above.

(*iii*) The material at present furnished in Annexure 'A(*i*)' and 'A(*ii*)' (to which the Committee's criticism was mainly directed), should be received as usual from local offices, but a selection should be made by the Controller of Railway Accounts and the Director of Railway Audit, of the important items that deserve to be exhibited in these annexures. As Annexures 'A (*i*)' and 'A(*ii*)' should show only important items, the totals of the figures therein will not agree with those in Annexure 'A', as at present. The headings of the Annexures should, therefore, be suitably

modified. In making the selection, the following principles will be borne in mind —

(a) Works or schemes, relating to the year under review, which have been sanctioned by the Railway Board or the Standing Finance Committee will be excluded

(b) Expenditure on advance purchase of certain specified materials, such as wheels and axles, under-frames, etc, relating to the year under review, will also be excluded provided that it has been included in the sanctioned programme of the year.

(c) The intention is generally to exclude from the Annexure items of expenditure relating to the year concerned and which do not indicate irregularities of a serious nature or risk of nugatory expenditure

It has not been found practicable to give full effect to these conclusions in the Annexures relating to the year 1939-40

APPENDIX XIII.

Report on Railway Officers' Saloons and reserved inspection carriages.

In para. 3 of the Proceedings of their meeting held on the 14th August 1940, the P. A. C. desired to be furnished with a further report showing the progress made in the programme of reductions anticipated in the number of reserved carriages, According to the information now available, the present position is as indicated below :—

Railways.	No of carriages to be reduced as agreed in 1940.	Previously reported position.	Present position.
A.B. ..	4 M.G.	These carriages have rached their normal life and are expected to be condemned without replacement by 1941-42.	No change.
B.B.&C.I.	3 B.G.	Will be condemned shortly without replacement.	No change.
	2 M.G.	One bogie carriage has already been condemned and will not be replaced. One 4-wheeled carriage will be scrapped without replacement when it reaches the end of its life in June 1945.	
B.N. ..	5 B.G.	One has already been withdrawn and condemned. Three will be condemned in March 1941 and one in 1941-42. None of these will be replaced.	Two carriages have since been condemned. One will be condemned during the current year and one in June 1942.
E.B. ..	4 N.G.	Have already been condemned without replacement.	No remarks.
E.I. ..	8 B.G.	One bogie carriage will be condemned without replacement in November 1940. One 4-wheeled carriage has already been condemned. One will be condemned after 2 years and three after 5 years. The condemnation of two more will be considered in 1942.	The anticipated condemnation of a bogie carriage has since been confirmed.
G.I.P ..	24 B.G.	8 have been scrapped without replacement. The disposal of the remainder is being further examined.	Sanction has been given to the conversion of 14 out of the 16 surplus carriages into Pay Clerks' and Bridge Inspector Vans on renewal account during 1940-41, 1941-42 and 1942-43. The other two vehicles are being retained until they can either be converted or transferred to another railway.
M.&S.M.	3 B.G...	One B.G. vehicle is being offered for sale to another railway. The other two will be condemned in September-October, 1942.	The proposed sale of the B.G. carriage not having materialised, it will be converted into a an Inspector's van on renewal account during the current year.

Railways	No of carriages to be reduced as agreed in 1940	Previously reported position	Present position
	5 M G	All these five vehicles are to be condemned without replacement, one in December 1940, two in April 1941, one in June 1941 and one in October 1941	Of the 5 M G carriages, 3 proposed to be condemned in December 1940 and April 1941 have been retained in service Examination shows that they *still have a further 3 years useful life* The one porposed to be condemned in June 1941 is expected to be scrapped in August 1941.
N.W. ..	12 B G	Eleven carriages have already been withdrawn and stored till disposed of The 12th carriage will be withdrawn in about December 1940 All the 12 will be disposed of without replacement	The 12th carriage has since been withdrawn from service and stored. One carriage has, however, had to be utilised in connection with urgent work for the Defence Department
S.I	1 B G .	Scrapping will be undertaken within 4-5 years	No change

APPENDIX XIV.

Report on auction sales on Railways.

At their meeting on the 14th August 1940, the Public Accounts Committee, in dealing with the auction sales on Railways, desired to be informed whether the question of modification of the agreements of the East Indian and Eastern Bengal Railways with their auctioneers so as to secure payment of the auctioned materials before removal had been satisfactorily settled.

2. The East Indian Railway have since revised their agreements with their two auctioneers, Messrs. Mackenzie, Lyall & Co. and Messrs. M. X. de Noronha & Son. The terms of the revised agreements meet the point raised by the Public Accounts Committee. A prepayment system has been introduced by which the auctioneers will deposit the full value of the material before any delivery of the material is given. On the Eastern Bengal Railway also the auctionneers have agreed to revise their agreement on the lines of the East Indian Railway agreement, and the draft revised agreement is under consideration.

APPENDIX XV.

Copy of Government of India, Defence Department letter No. 52534/II/1/Q.-3, dated the 26th April 1941.

SUBJECT —*Procedure for War Emergency Works*

In supersession of the orders contained in the communications noted below relating to the above subject, the Governor General in Council has decided that the procedure to be followed in regard to works services connected with the present emergency shall be as shown in the attached memorandum —

1. Defence Department No 52534/1/Q-3, dated 7th February 1940, as amended from time to time
2. Defence Department No 54058/1/Q-3, dated 2nd May 1940, paragraphs 2-B and 3-B, only
3. Defence Department No 57745-II/1/E-1, dated 20th May 1940
4. Army Headquarters No 52534/3/Q-3, dated 10th June 1940
5. Army Headquarters No 59289/1/E-5, dated 5th July 1940, paragraphs 7-10 only
6. Army Headquarters No 52534/Q-3, dated 31st July 1940
7. Army Headquarters No 52534/II/Q-3 dated 30th January 1941.
8. Army Headquarters No 56530/Q-3, dated 5th March 1941

2. The procedure will not apply to works services of the normal works programme of which there are now comparatively few, and for which the normal peace procedure will be followed Where the instructions contained in the Memorandum are at variance with the Regulations for the Military Engineer Services, the instructions will apply

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Enclosure to Defence Department letter No. 52534/II/1/Q.-3, dated the 26th April 1941.

MEMORANDUM.

The procedure for war emergency works is detailed below

2. *Object* —The object is to ensure completion of work with the minimum of delay but with full regard to observance of the maximum obtainable economy in money and stores compatible with that object.

The need for such economy and conservation of resources will be readily appreciated

3 *Stages of Procedure* —The stages of procedure in regard to a service are :—

(i) Acceptance of necessity for a work. This necessitates a rough costing to ascertain the financial implications of the work.

(ii) Preparation of accommodation statement

(iii) Preparation of approximate estimate

(*iv*) Administrative approval to the approximate estimate.

(*v*) Preparation of contract documents and/or other action to put work in hand.

(*vi*) Commencement of work, but see paragraph 11 below.

(*vii*) Progress reports.

(*viii*) Completion report, including statement of expenditure as compared with estimate.

These stages are dealt with in further detail below.

4. *Acceptance of necessity.*—Powers of the competent financial authority for acceptance of the necessity for works are delegated as follows :—

	Authorised Works. Rs.	Special Works. Rs.
(A) General Officer Commanding-in-Chief, Command Commander Western (Independent) District	1,00,000	30,000
(B) General Officer Commanding District Independent Area Commander ..	10,000	5,000
(C) Other Brigade and Area Commanders	5,000	1,000
(D) Station Commanders	1,000	500

Proposals for acceptance of the necessity of works in excess of the limits at A above should be referred to Army Headquarters.

In cases of extreme urgency the General Officer Commanding-in-Chief of a Command, and the Commander Western (Independent) District may accept the necessity for a work up to any amount, but in such cases a copy of their acceptance letter must be sent immediately with brief reasons to Army Headquarters.

Authorised works are those which are covered either by Barrack Synopsis (India) 1939 or the pamphlet on hutted scales of accommodation. Special works are those which are not specifically covered by Barrack Synopsis (India) 1939 or the pamphlet on hutted scales of accommodation.

5. To enable the competent financial authority to know whether a particular work is within his powers or not, the authorities in A to D above are authorised to call for rough costs from their engineer advisers. These rough costs will be based on the best information available at the time. No fresh acceptance of necessity will be required unless the amount of the subsequent administrative approval (see 17 below) exceeds the original rough costs by more than 20 per cent.

6. The competent financial authority when issuing his acceptance letter will normally include the following points :—

(*i*) Scope of work.

(*ii*) Type of construction.

(*iii*) The nature of details required in the approximate estimate. No approximate estimate will be required for works costing Rs. 20,000 or less.

(iv) Whether work should be commenced in whole or in part prior to administrative approval of approximate estimate

7. The competent financial authority will send a copy of the acceptance letter to his financial adviser. The decision as to the scope of the work,

the case of units with fixed establishments, these will be adhered to. In the case of units whose establishments are not fixed, or are under revision, the approximate establishments as issued by Army Headquarters will be taken as the basis for subsequent calculations

9. Reference paragraph 6 (ii) above. Generally speaking all works will be in temporary construction. In the cases of additions to existing permanent structures, and of armouries and detention cells, it may be essential to build in a more permanent manner. Competent financial authorities will use their judgment in these types of cases, and will detail which buildings shall be in a permanent or semi-permanent construction, and which shall be in temporary construction. All other cases of permanent construction exceeding Rs 1,000 in each case shall be referred to Army Headquarters

10. [illegible]
for [illegible]
he [illegible]
schedule of items

11. Reference paragraph 6 (iv) above. If the work is so urgent that the delay in issuing administrative approval based on the approximate estimate, cannot be accepted, the competent financial authority is empowered to order its commencement in whole or in part, prior to administrative approval. In doing so, however, the competent financial authority must endeavour to ensure that no accommodation is constructed in excess of requirements. If necessary such orders can be restricted to a portion of the project in the first instance,

12. *Procedure on receipt of acceptance of necessity.*—On receipt of the letter of acceptance from the competent financial authority the Q staff of the formation concerned will compile with the least possible delay the necessary accommodation statement, which will show in detail the actual building construction necessary for the particular accommodation required. The responsibility for the correctness of this statement rests with the Commander of the formation concerned.

13. The scales of accommodation are laid down in Barrack Synopsis (India) 1939, and the pamphlet on hutted Scales of Accommodation. These scales are intended as a close but not a meticulous guide, and petty variations from them in individual cases not of general application can be made at the discretion of the competent financial authority.

14. A copy of the accommodation statement will be sent to the Controller of Military Accounts for information and one copy will be sent to the Military Engineer Services authorities for preparation of, and attachment to, the approximate estimate.

15. On receipt of the accommodation statement the Military Engineer Services authorities will prepare the approximate estimate in the manner indicated by the competent financial authority.

They have no authority to include in the approximate estimate any accommodation other than that laid down in the accommodation statement except where such is necessary for the staff employed on the project. They will, however, make the necessary additions for all external services and will also include a sufficient allowance for any additional staff which may be necessary, and finally 5 per cent. for contingencies.

16. The approximate estimate when compiled will be submitted to the competent financial authority. It need not be sent to the financial adviser of the formation as the competent financial authority must in any case take full responsibility for the correctness of the approximate estimate. The competent financial authority consults his financial adviser at this stage if he so wishes, and in the event of any doubtful points arising it is very desirable that this should be done.

17. *Administrative approval to estimates.*—The powers of administrative approval to approximate estimates for works, the necessity for which has been accepted by the competent financial authority, *vide* paragraph 4 above, are shown in annexure A.

In the case of projects comprising both authorised and special works the competent financial authorities' powers for special works will be in respect of each individual special work item.

The powers of competent financial authorities in regard to administrative approval of estimates will be in respect of each subhead of the project. Individual subheads over 15 lakhs will require the administrative approval of the Government of India and should be sent to Army Headquarters for the purpose. Sufficient detail should be given to indicate the scope of the project and the type of construction recommended.

18. A copy of all administrative approvals will be sent to the Controller of Military Accounts concerned, but will only be sent to Army Headquarters when the acceptance for the necessity of the work has emanated from Army Headquarters.

19. *Execution of work* —In conjunction with the preparation of the a commodation statement the formation headquarters will arrange for a sitin board to determine the lay out In order that there should be no delay becaus establishments are not firm the accommodation statement may in the first instance only contain such items as are definitely firm, or such portion of the required accommodation as it is certain will not be in excess of authorized scales. The siting board will, in such cases, allow space for any likely additions that can be foreseen.

20. As soon as possible after the accommodation statement has been received by the Military Engineer Services, a notice of tender will be issued covering the firm accommodation required In determining what is firm accommodation the instructions in paragraph 7 of Quartermaster General's Branch letter No 59737-Q -3, dated 26th March 1941, should be followed The notice of tender should specify that the Government of India do not guarantee to execute the work, and that the deviation on the contract may be as much as 50 per cent. During the period that the contractors are preparing their tenders, the contract documents and the approximate estimate should be prepared so that the successful tenderer can be ordered to start work as soon as administrative approval has been accorded or earlier as the case may be

While the normal method of tendering is by competitive tender Chief Engineers are authorised to offer contracts by single tender up to 10 lakhs with the concurrence of the Controller of Military Accounts concerned, and the Engineer-in-Chief is authorised to offer contracts on a single tender up to any amount with the concurrence of the financial adviser These powers are intended to be used in cases of specialist work and where the urgency of the work renders it desirable to avoid delay by going to competitive tender The General Officer Commanding-in-Chief, a Command and the Commander Western (Independent) District in the case of single tenders up to 10 lakhs, will be the final authority in the case of divergence of opinion between the engineer and financial authorities concerned

21 *Contract documents* —Scrutiny of Contract Documents when in standard form by the financial adviser prior to acceptance is not necessary, but the original document should be sent to him for custody

Chief Engineers are empowered to alter standard contract documents to uit war conditions, particularly with reference to security deposits, percentage ayments, speed of payments and similar matters, in consultation with their inancial adviser Where, however, the proposed alteration deviates considerably from existing procedure Chief Engineers should send a copy of their proposals to the Engineer-in-Chief, for information

22. *Acceptance of contracts, technical Sanction, etc* —The powers of technial sanction and acceptance of contracts are laid down in Military Engineer ervices Regulations Table B Chief Engineers are hereby authorised to inease the powers of any Officer subordinate to them to the extent they consider cessary within their own limits for technical sanction of design and accepte of contracts

23. *Deviations from contracts.*—There are two kinds of deviations :—

(*a*) Those due to administrative reasons, such as change in establishments, etc.

(*b*) Those due to technical reasons.

In (*a*) above the Commander of the formation concerned will be responsible for ordering any deviation considered necessary, and the Military Engineer Services will in no circumstances order such deviations.

In (*b*) above the Engineer authorities will order such deviations as are necessary for technical reasons. These deviations will be governed by instructions already issued by the Engineer-in-Chief. They will be covered by the 5 per cent. contingency allowed in every approximate estimate and where this is not sufficient the extra cost will be met from the permissible excess.

24. *Allotment.*—No allotment of funds will be made for modernisation or war emergency works. To enable the financial authorities to prepare their estimates a consolidated statement will be sent monthly by Commands to Army Headquarters showing each new work ordered to be commenced giving the authority and the approximate cost and the funds required in each financial year. This statement will be submitted in the form in annexure B. Revised estimated requirements will also be communicated to Army Headquarters for modernisation and war emergency works by the 15th of August, October, December and February in each year.

25. *Excesses.*—Excesses up to 20 per cent. above the amount of administrative approval may be incurred without the necessity for a revised administrative approval. Excesses will be determined on the total amount of the project as a whole and not on individual items. Savings will not be explained.

As soon as it is evident that an excess over the amount of the administrative approval is likely to exceed 20 per cent., the cost will be referred to the competent financial authority authorised to give a revised administrative approval with a brief report of the reasons for the excess. The competent financial authority will decide whether the revised administrative approval is necessary, or whether the excess shall be explained on the completion report. When a project is nearing completion the latter will be the normal procedure.

26. *Expenditure returns.*—To enable Army Headquarters to watch expenditure one copy of the monthly expenditure return prepared by Commanders Royal Engineer will be submitted to the Engineer-in-Chief, Army Headquarters, direct.

In the remarks column of these returns the date of the completion of the work will be entered as each new work is completed.

27. *Completion report.*—When the work is finally completed and the final bills have been paid, the completion report will be rendered under existing regulations.

ANNEXURE "A".

Powers of Administrative Approval.

Authority	For authorised works.	For special works.
(A) A G O C-in C, of a Command or Commander, Western (Independent) District (Q M G in the case of services directly under A H. Q) except— (i) Army Ordnance and Clothing Factories (other than works required from military necessity in connection with the Defence of an ordnance or clothing factory) (ii) Technical works of Arsenals and Depots and General Stores and Clothing Inspectorate, Cawnpore, under the control of the Director of Ordnance Services (iii) R A F (iv) R I. N. M. G O and A O C in respect of services under their control, except— (i) Non technical works for Arsenals, Depots, and General Stores and Clothing Inspectorate, Cawnpore, under the control of Director of Ordnance Services which will be administered by the G O C in-C (ii) Works connected with the defence of an ordnance or clothing factory, arising out of military necessity, which will be administered by the G O C in-Chief, Command	15,00,000	30,000
(B) G O C District or Independent Area Commander	10,000	5,000
(C) Other Brigade and Area Commanders	5,000	1,000
(D) Station Commanders	1,000	500

ANNEXURE "B".

Statement of War Emergency work.

Sanctioned during the month of 1941

Serial No	Particulars of work	Estimated Expenditure				Authority	Scheme to which the measure relates	Classification (a) H A Q measure (b) Joint measure (c) Indian measure	Head of Account
		1941-42	1942 43	Subsequent year	Total				

Notes :—

1 This statement will be rendered in duplicate to A H Q by the 15th of every month through the C M A concerned

2. Works the estimated cost of which is less than Rs 5,000 in each case should be lumped together in one item

3 The class of the unit for which accommodation, etc., is being provided, as also the scheme to which the measure relates (e.g., 1940 Expansion, Local Defence, Air Raid Precautions, etc., etc.) or A H Q letter promulgating the measure should invariably be indicated.

4 This statement does away with the necessity of sending to A H Q separate copies of administrative approvals for [illegible] than Rs 1,00,000

As a natural corollary, the open tender has been steadily giving place to limited and single tenders and to settlement by negotiation with individual suppliers as well as with industries as a whole. Limited and single tenders are the most effective means of meeting urgent demands. Settlement by negotiation is the only means when new articles are required, or the demands are so large as to absorb the entire or an overwhelming proportion of existing capacity.

5. In these circumstances it was realised very early during the war that new methods of control must be devised to fill the vacuum created over an ever widening area by the absence of effective competition. An organisation has gradually been evolved in which representatives of the Finance Department are closely associated with all important purchase operations. Their responsibilities may be described briefly as follows :—

(1) When purchases are made by open or limited tenders the concurrence of the Finance Department must be obtained to proposals to accept other than the lowest offer if the offer proposed to be accepted exceeds the lowest offer by a certain prescribed limit. If the lowest offer is in itself unreasonable consultation with the Finance Department takes place before action is taken ;

(2) offers against single tenders are dealt with in consultation with the Finance Department. Single tenders cannot be used for other than proprietary articles except with the concurrence of the Finance Department ;

(3) settlements by negotiations are effected in consultation with the Finance Department in all their stages ;

(4) departures from standard conditions of contract are made in consultation with the Finance Department.

6. The following are the broad categories of the contractual arrangements thrown up in the circumstances set forth in the foregoing paragraphs and requiring special attention :—

(*a*) contracts settled by negotiations in which the price payable is actual cost *plus* an agreed margin of profit. The actual cost is usually subject to an agreed maximum ;

(*b*) contracts settled by negotiations with individual firms in which price is negotiated on the basis of estimated costs for a specified period ;

(*c*) contracts placed with individual firms under arrangements made with an industry as a whole. Arrangements usually provide for the submission by individual firms of cost quotations certified by auditors ;

(*d*) special contracts for the construction and operation of Government factories by private firms as agents of Government. For obvious reasons no place has been given in this list to standard contracts made on offers against open, limited or single tenders. They are generally the same as in peace-time and do not require detailed explanation. The following paragraphs describe the position in respect of the categories enumerated above.

7. All contracts other than those entered into at competitive rates require in varying degrees a proper examination of the accounts of contractors in order to establish that payments charged in Government accounts are in accordance with contractual arrangements. This necessitates the employment of qualified cost accountants.

The Supply Finance Department have established a small cost accounting organisation for this purpose. For an ideal arrangement it is necessary to secure the services of technical cost accountants for each type of industry. India has no such cost accountants, and in fact there are very few accountants with general qualifications in cost accounts of an adequate character. After sustained effort and search Government have been able to secure a few accountants. The number of contracts has been increasing and is beyond the capacity of any organisation which Government can expect to bring into being. In view of these difficulties the following arrangement has been made with the concurrence of the Auditor General :—

(1) Auditors of contractors may be employed as auditors on behalf of Government subject to certain conditions ;

(2) in all cases where prices are related to costs, actual or estimated, a brief statement outlining the system of cost accounts observed by the firms concerned should be prepared either by departmental accountants or contractors' auditors and kept on record for reference. This statement should in particular describe the basis on which common expenses are apportioned to various categories of products, departments or contracts of the firm ;

(3) the checks to be exercised by the accountants, departmental or private, should be laid down by Government ;

(4) in all important cases first checks should be applied by departmental accountants. On receipt of their reports Government should decide whether subsequent audits should be conducted by departmental accountants or private auditors ;

(5) other cases may be entrusted to private auditors but the Finance Department must always be on the alert to pick up cases that should for any reasons be transferred to departmental accountants ;

(6) reports of private auditors should be reviewed by departmental cost accountants.

Under this arrangement the duties of Government cost accounting organisation will be to deal with all audits classed as important and to keep the work of private auditors constantly under review. Important audits will be entrusted to private auditors when they have become routine and therefore ceased to be important.

8. Some explanation is required of the arrangement contemplated in respect of factories constructed and operated by private firms as agents of Government.

Government have decided that cases which do not require anything more than verification of facts may suitably be entrusted to the auditors of contractors. In other cases audits should be carried out by Government accountants till such time as all technical questions regarding the basis on which common expenses should be allocated to Government business and other business of the firm are settled. When the audits become routine and are reduced to the level of verification of facts they may be assigned to the auditors of agent firms.

9. In all cases in which examination of contractors' accounts is required to establish the validity of payments made under the contracts the responsibility for checking the accounts lies on the Auditor General. It has however been agreed with him that, while he reserves his right to check the accounts, he will not exercise it so long as he is satisfied that the arrangements made by Government for such examination through departmental agency or by private auditors are satisfactory. He will examine the reports and records of departmental accountants and call for such explanations from Government as he may consider necessary to satisfy himself that arrangements are satisfactory and that adequate check is being exercised in individual cases.

APPENDIX XVIII.

Note by the Auditor General on paragraph 17 of the Audit Report, Defence Services, 1941—War time purchases of stores.

In connection with the scrutiny of expenditure on the purchase of stores one of the functions of audit is to see that purchases have been made as economically as possible. In normal circumstances this is secured by watching that purchases are generally made by calling for tenders in the open market and that the lowest tenders are accepted unless there are valid reasons against this course. In the special circumstances created by the war the competitive system has necessarily had to give way to other special arrangements for purchase. The necessity however still remains—and it is perhaps even more urgent than during peace time—for audit to see that the prices paid are fair and reasonable

2. The question of the methods to be adopted to ensure that the prices paid are reasonable where Government contracts cannot be placed under conditions of effective competition has received considerable attention in England during the past few years It has generally been accepted that the only alternative to competition as the basis of a fair fixed price contract is the estimation of the costs to be incurred, either by means of technical costing or by the application of the results of post costing past contracts—or by a combination of those methods It is understood that some of the big purchasing departments in the United Kingdom are well equipped with staffs of technical costing officers and departmental accountants whose business is to prepare either independent estimates of costs or to check the costs quoted by the firms with reference to their books and to assist the departments generally in negotiating prices.

3. The Comptroller and Auditor General in the United Kingdom is generally content to review the basis of the fixing of prices as contained in the reports of the departmental accountants and he does not ordinarily conduct a check of the firms' books. In regard also to expenditure from public funds on the construction of ('shadow') factories by firms on behalf of Government which has to be accounted for to the satisfaction of the Comptroller and Auditor General in pursuance of his statutory functions the same arrangement obtains. The accounts of such expenditure are initially examined by the Ministry's departmental auditors and the Comptroller and Auditor General reviews the periodical statements of such expenditure and the departmental auditors' reports thereon.

4. Profiting by the experience in the United Kingdom and the Dominions the Supply Finance Branch here have since last year set up a small departmental costing organisation to help it in its war time purchases. In consequence of the difficulty of obtaining qualified personnel it has however been found necessary to follow the Australian model and to supplement the departmental organisation by the employment of the firms' own private auditors working under instructions from Government Information regarding the types of contracts and the safeguards adopted by the Supply Department in respect of these various types is given by the Supply Department itself and this note is concerned with stating the position of the Auditor General of India.

5. Ordinarily the attitude of the Auditor General in respect of contracts made by Government is that, while his Department scrutinises the contract generally to see that there is no clause obviously and unnecessarily disadvantageous to Government, and that prices or rates in the contract are *prima facie* reasonable, he does not go behind the contract to examine the negotiations leading to a fixed price or a schedule of rates, but scrutinises all payments to secure that they are in accordance with the contract terms. When, however, as in war time, fixed price contracts have in many instances to give way to contracts based directly or indirectly on actual costs, the function of the Auditor General in auditing payments in terms of such contracts is not so clear. The Auditor General of India has, however, decided that, while he should retain the power in any exceptional case to call for the accounts of the actual costs of a contractor claiming payment under the " costs plus " form of contract, he will not in fact exercise this power unless the special circumstances of any case indicate that this is necessary. In reaching this decision the Auditor General of India has been influenced by the example of the Comptroller and Auditor General of the United Kingdom, who does not ordinarily demand that his Department should examine the books of the contracting firm. There are further reasons for this decision. In the first place, the Indian Audit Department does not command a sufficiency of technical knowledge and experience to cope with the work that would be involved in a direct examination of firms' accounts. In the second place, it is clearly the duty of the Government Department making the contract to satisfy itself regarding the actual costs on the basis of which it passes a payment, and, if the Auditor General is satisfied that such costs examination is as adequate as possible in the circumstances, it would be a waste of time and effort at a time like the present to duplicate that examination. Finally, there is not such a regimentation of industry in India as in Great Britain, and while firms are with difficulty persuaded to agree to a scrutiny by departmental cost accountants, they would object strongly to a further examination by staff of the Auditor General. It would be clearly infructuous to provoke the opposition such a course would cause unless there were clear necessity.

In ideal conditions the Auditor General might limit his acceptance of costs examination to that conducted by departmental cost accountants. But even in the United Kingdom where the purchasing departments are far more adequately staffed with qualified cost accountants, it has been found advisable and economical to depend upon statements of costs certified by firms of commercial accountants subject, where necessary, to departmental spot checks. In other countries of the Empire, *viz.* Australia, this practice is usual, and the Auditor General of India has agreed to accept under stated conditions costs as certified by private firms of accountants.

6. The Supply Department has taken the Auditor General fully into their confidence in all discussions regarding forms of contract and methods of check of cost accounts. The Auditor General is consulted before any new departure is adopted. In fact so close is the co-operation that the representatives of the Comptroller and Auditor General of the United Kingdom remarked that the Auditor General of India seemed to be more concerned in executive decisions than the Comptroller and Auditor General of the United

Kingdom ever was. The difference really is only in method of working, pre-audit with influence before the event, or post audit with criticism after it. The suggestions of the Auditor General have not affected policy but only the application of policy. In the following cases the instructions of the Supply Department were issued in consultation with the Auditor General, and have been accepted by him as adequate to secure the correctness of payments and satisfactory facilities for audit check:—

(a) Instructions regarding the duties and the scope of check of departmental cost accountants These instructions include provision for the preparation of a report on the examination by the departmental cost accountants and the record of certain material This report and such material is placed before a representative of the Auditor General who may make such criticism as he considers necessary

(b) Instructions to private auditors regarding the extent of their check of cost accounts and the form of their certificate to these accounts The Auditor General has to be satisfied that reports by private auditors receive adequate consideration in the Supply Department, and his representative can see the papers dealing with such consideration

(c) Instructions to private auditors on the check of expenditure from public funds on the construction and management of factories by private firms on behalf of Government The Auditor General has a special responsibility for the audit of such expenditure, but for reasons already explained has agreed to accept the audit of private auditors It is intended that the agreement with contractors should require them to keep full and separate accounts of expenditure from Government funds, and that the private auditors should prepare such statements of expenditure based on the accounts as the Auditor General may require. The private auditors are also to be asked to report on the accounts. The Auditor General can ask for any further information he requires and in the last resort can demand access to origin[illegible]
[illegible]ments

2. *Excesses.*—In the following cases actual expenditure exceeded the grants voted by the Legislature :—

Item No.	Name of Grant.	Final Grant.	Actual Expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
1	12.—Executive Council	1,18,699	1,19,054	355
2	29.—Lighthouses and Lightships	9,05,000	9,11,765	6,765
3	32.—Geological Survey	2,18,000	2,23,808	5,808
4	36.—Mines	1,36,000	1,41,559	5,559
5	37.—Other Scientific Departments	2,80,000	2,80,118	118
6	56.—Joint Stock Companies	1,30,000	1,30,044	44
7	58.—Currency	13,23,000	13,38,049	15,049
8	61.—Superannuation Allowances and Pensions	1,07,23,000	1,11,43,246	4,20,246
9	62.—Stationery and Printing	41,39,000	42,23,272	84,272
10	70.—Andamans and Nicobar Islands	29,85,000	29,85,825	825
11	79.—Commuted Value of Pensions	7,07,000	7,99,684	92,684

The more important excesses are briefly explained below :—

Item 2.—The excess was due to more contribution to General Reserve Fund as a result of increase in receipts from light dues.

Item 3.—The excess was the result of more English charges on stores for India, liability for which was brought forward from 1936-37, also more charges for leave and deputation salaries and sterling overseas pay drawn in England.

Item 4.—The excess was caused by more expenditure on leave and deputation salaries and sterling overseas pay drawn in England.

Item 7.—The excess was due to increased and accelerated demand for currency notes.

Item 8.—The excess was caused by heavy adjustments on account of pensions and commuted value of pensions made at the end of the year.

Item 9.—More expenditure on purchase in India of stationery stores due to unforeseen demands from paying and non-paying Departments mainly contributed to the excess.

Item 11.—The excess was mainly the result of more payments of commuted value of pensions in the Posts and Telegraphs Department.

We recommend that the necessary excess grants be voted by the Legislative Assembly.

Last year an excess of Rs. 27 under Grant No. 81 in the accounts for 1936-37 was recommended by us for an excess grant but this was not accepted by the Assembly. We have given further thought to the matter and recommend again, as no question of financial substance is involved, that this small excess be regularised.

3. *Minutes of Proceedings.*—We append the minutes of proceedings which we desire, as usual, to be regarded as part of our report. In the following paragraphs we refer only to some of the more important questions considered in the course of our examination.

4. *Accuracy of budgeting and control over expenditure*.—We are glad to learn that, in accordance with our recommendation, lump sum cuts for probable savings are being made in all Grants, especially under sub-heads, where it is found that there have been savings year after year. In the course of our examination, we had occasion to notice that appreciably large voted savings occurred in the last three years in Grants Nos. 30.—Survey of India, 31.—Meteorology, 41.—Agriculture, 47.—Aviation and 82.—Loans and Advances bearing Interest. We think it will be useful for the Finance Department to make a note of the persistence of savings under particular heads so as to make suitable cuts in the next budget.

The savings under a number of sub-heads in Grants Nos. 40.—Public Health and 44.—Imperial Institute of Sugar Technology were attributed to delays in getting the services of experts for certain posts. We have given considerable thought to the matter and have come to the conclusion that, in cases where difficulties in recruitment are expected, the provision in the budget estimates should be subject to a substantial cut for probable savings. Later on, if there is an excess on account of earlier recruitment than anticipated, there would be no objection to the submission of a supplementary demand to the Legislature.

We are impressed with the necessity of comparing not merely the final appropriation with the actual expenditure but also the original appropriation with the final appropriation and actual expenditure. In the case of voted grants, the original and supplementary grants are shown separately, but we regard it equally important that, in the case of non-voted heads, the original appropriation also should be brought to notice, particularly when large additions are made by executive orders.

Our recommendation that larger units of appropriations should be devised in a limited number of Grants as an experiment to see if it would lead to more accurate estimating and to economy, is, we are informed, being tried in Grants Nos. 4.—Salt, 28.—Ports and Pilotage, 41.—Agriculture, 60.—Civil Works and 63.—Miscellaneous, in the estimates for 1939-40. It is, of course, not possible to know the result of the experiment until the appropriation accounts for 1939-40 are ready, but we shall await it with interest.

5. *English Expenditure*.—We have been struck by the wide variations noticeable under the sub-heads relating to English Expenditure, *prima facie* suggesting a deterioration in budgeting and control. In explanation it has been stated that 1937-38 was the first year in which all expenditure in England was split up for incorporation in the relevant subject and Area demands, and that more accurate estimates would be possible after two or three year's actuals are available. In regard to leave salaries, where the variations are the largest, we are informed that, as there were no leave programmes or forecasts available for framing reliable estimates, the High Commissioner based the original appropriations upon the latest actuals available. Without minimising the difficulties attendant upon the preparation of reliable forecasts we consider it desirable that the Finance Department should examine whether the High Commissioner should not be asked to base his estimates on leave programmes or forecasts furnished to him from India, as well as on past actuals.

14. We desire to place on record our appreciation of the extremely valuable service rendered to the Public Accounts Committee by Sir Ernest Burdon throughout his term of office as Auditor General.

A. J. RAISMAN.

J. RAMSAY SCOTT.

R. D. DALAL.

M. A. GHANI.

ABDUL HAMID.

SHER MOHAMMAD KHAN.

FAZL-I-HAQ PIRACHA.

BHAI PARMANAND.

MOHAMADALI,
Secretary.

2nd September, 1939.

Proceedings of the first meeting of the Public Accounts Committee held on Friday, the 11th August 1939, at 11 A.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Mr. B. DASS Mr. S. SATYAMURTI Bhai PARMA NAND. Prof. N. G. RANGA Maulvi MOHAMMAD ABDUL GHANI. Dr. R. D DALAL, C I E Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA Khan Bahadur Sir ABDUL HAMID, C I E O.B.E.	*Members.*
Mr. G S. BOZMAN, C.I.E., I.C.S., Secretary, Department of Education, Health and Lands Mr S. H Y OULSNAM, C.I.E., M.C., Joint Secretary, Department of Education, Health and Lands	*Witnesses*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr A C GUPTA, O B E, Accountant General, Central Revenues.

The Hon'ble Mr C E JONES, C I E., I.C.S., Finance Secretary

Paragraph 30 of the Audit Report.—During the examination of Grant No 8—Forest, it was noticed that there were large variations under 'Leave Salary and Sterling Overseas Pay' Some members were not fully satisfied with the general explanation given in paragraph 30 of the Audit Report that, as no leave programmes or forecasts were available for framing reliable estimates, the original appropriations were based on the latest actuals available. The difficulties attendant upon the preparation of a reliable forecast, such as the inclusion of the leave programmes of officers on foreign service or whose services had been borrowed by the Central Government in the past, a knowledge of whether the leave was going to be spent in India or out of India, were pointed out The Com-

2. *Grant No. 30.—Survey of India.*—A member of the Committee drew attention to the considerable savings under the sub-head 'Stores for

India', which had been explained as partly due to the liabilities carried forward. The Committee considered that every effort should be made to clear all liabilities within the year.

3. *Analysis of savings.*—It was noticed that the total savings (both gross and net) under this Grant were partly due to larger receipts than anticipated under the head 'Deduct—Establishment and other Charges from other Governments, Departments, etc.', and partly to less expenditure under other heads. Since an excess of receipts is not open to objection in the same way as under-spending, the Committee considered that, in future, savings should be analysed into these two components.

4. *Map Accounts.*—The statement of maps of the Map Record and Issue Office given in the Appropriation Accounts showed that the closing balance excluded the stock of maps held at the City Branch Agency, Calcutta. It was pointed out that, unless there were valid reasons to the contrary, the balance should include the stock of all agencies.

The review of the stock held in the Map Record and Issue Office disclosed the fact that the number of copies of maps superseded during the year 1937-38 had increased as compared with 1936-37. It was explained that the position was reviewed from time to time by the Surveyor General and the Director of Map Publications; but the Committee desired a further examination of the possibility of reducing the number of superseded maps, and asked for a note on the subject next year.

5. *Map Sales.*—The Committee considered the report (Appendix III) on the efforts made to promote the sales of maps prepared by the Survey of India. They were particularly interested in the possibility, stated to be under investigation, of publishing a small popular Atlas of India, giving names in the various Indian languages as well as in English. The proposed establishment of agencies which would be responsible for the maintenance of maps and also act as sales organizations, appeared to be another promising possibility from a commercial point of view.

6. *Mathematical Instrument Office.*—In connection with item No. 1 of the statement of recommendations made in the previous year, the results of the discussions held by the Surveyor General with the Army authorities, regarding the supply to the Army of various articles manufactured by the Mathematical Instrument Office, were reported to the Committee. It was stated that, while the Army authorities agreed in principle that, as far as possible, they should obtain from the Mathematical Instrument Office articles which they at present imported from abroad, practical problems such as difficulties about the guarantee of supply and the reduction in the prices of particular articles, were still outstanding. The Committee regretted that, in spite of the strong recommendation made last year, no appreciable progress had been made, and hoped that early steps would be taken to implement their recommendation of last year.

The Committee were glad to find an increase of about 40 per cent. in the receipts from work undertaken by the Mathematical Instrument Office for other Governments, Departments, etc.

7. *Grant No. 53.—Botanical Survey.*—With reference to item No. 3 of the statement of recommendations made in the previous year, it was explained that the post of the Director of Botanical Survey was vacant. No decision regarding its abolition could, however, be taken until Government had considered the recommendations of the Imperial Council of

Agricultural Research on the report of the Officer who had been placed on Special Duty to investigate the possibilities of Cinchona production in India This led to a discussion on the sufficiency of the stocks of quinine kept by the Central Government as a reserve against an epidemic or a pandemic. Some members of the Committee were doubtful of the adequacy of the Central reserve, but it was pointed out that it was the duty of the Provincial Governments to maintain their own reserves

8. *Grant No. 34.—Zoological Survey*—A member of the Committee suggested that the question why the production of "Fauna Indica" could not be undertaken in India, might be looked into

The Committee adjourned till 2-30 P.M.

Proceedings of the second meeting of the Public Accounts Committee held on Friday, the 11th August 1939, at 2-30 P.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. B. DASS.
Mr. S. SATYAMURTI.
Bhai PARMA NAND.
Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.
Prof. N. G. RANGA.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
} *Member.*

Mr. G. S. BOZMAN, C.I.E., I.C.S., Secretary, Department of Education, Health and Lands.
Mr. S. H. Y. OULSNAM, C.I.E., M.C., Joint Secretary, Department of Education, Health and Lands.
Mr. S. BASU, I.C.S., Secretary, Imperial Council of Agricultural Research.
} *Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

9. *Grant No. 37.—Other Scientific Departments.*—With reference to the last sentence of paragraph 6 of the Proceedings of the Public Accounts Committee, 1938, the question was raised why the Bose Research Institute, Calcutta, should not be required to submit an audited account of its receipts and expenditure. *The Committee desired that a report should be submitted on the question next year.*

While examining the receipts and expenditure of the Central Museum, Calcutta, the Committee noticed that a sum of Rs. 16,811 was being paid to the Calcutta Corporation on account of the municipal taxes on the Museum buildings. It was explained that one reason why the Museum was not treated as a charitable institution and thus exempted from municipal taxes by the Corporation was the levy of a small charge for admission tickets on certain days. The Committee recommended that the admission fee should be abolished and the Corporation should be moved to grant exemption from the municipal taxes.

10. *Grant No. 39.—Medical Services.*—The savings and excesses under some of the sub-heads, relating to English expenditure, in this Grant led the Committee to comment upon the apparent deterioration in budgeting and control; but it was suggested that, as pointed out in paragraph 17 of the Audit Report, this was perhaps due to the new accounting arrangement introduced this year.

There was some discussion over the question whether in provincial institutions to which Central grants-in-aid are given, non-provincial students got reasonable facilities. The Committee considered that the Department of Education, Health and Lands should satisfy themselves on this point.

11. *Grant No. 41.—Agriculture.*—In connection with item No 5 of the statement of recommendations made last year, it was explained that the recently appointed Director of Dairy Research had arrived in India and was busy preparing a scheme for the establishment of a Central Research Institute. The Committee desired that the matter should be expedited.

The Committee was informed that the question of terminating the contract for the Wellington Milk Depot with the military authorities was under examination.

12. *Grant No. 42.—Imperial Council of Agricultural Research.*—The accounts relating to the Imperial Council of Agricultural Research were next examined. The Committee desired that the annual reports of the Imperial Council of Agricultural Research should be circulated to the members of the Public Accounts Committee.

13. *Grant No. 44.—Imperial Institute of Sugar Technology.*—Attention was drawn to the fact that there were considerable savings under a number of sub-heads in this Grant. It was explained that this was due to delays in getting the services of experts for certain posts. A considerable discussion ensued regarding possible ways of avoiding large savings in such cases. Finally, the Committee came to the conclusion that, in cases where difficulties in recruitment were expected, the provision in the budget estimates should be subject to a substantial cut for probable savings. Later on, if there is an excess on account of earlier recruitment than anticipated, there would be no objection to the submission of a supplementary demand to the Legislature.

14. *Grant No. 45.—Civil Veterinary Services.*—The Committee commented upon the large savings under the head 'Capital Expenditure,' and considered that the Finance Department should make a note of large or progressively rising savings under particular heads so as to make suitable cuts in the next budget.

15. *Grant No. 63.—Miscellaneous.*—The Committee next considered the note (Appendix IV) on the Kidderpore Orphanganj Market, submitted in connection with item No 6 of the statement of recommendations made last year. In view of the fact that the liabilities in respect of pensionary charges, which had been taken over along with the assets, are far in excess of the net profits accruing from the Market, it was agreed that the Central Government should retain this property.

The Committee adjourned till 11 A M on Monday.

Proceedings of the third meeting of the Public Accounts Committee held on Monday, the 14th August 1939, at 11 A.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Members:

- Mr. B. DASS.
- Mr. S. SATYAMURTI.
- Bhai PARMA NAND.
- Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.
- Prof. N. G. RANGA.
- Maulvi MOHAMMAD ABDUL GHANI.
- Dr. R. D. DALAL, C.I.E.
- Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
- Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Witnesses:

- The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.
- Mr. K. SANJIVA ROW, C.I.E., Joint Secretary, Finance Department.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

16. With reference to paragraph 88 of the proceedings of the Public Accounts Committee, 1938, the question was raised whether the Appropriation Accounts of the Crown Representative and the audit report thereon should be laid on the table of the Central Legislature. The legal position in the matter was the subject of a lengthy discussion, in the course of which it was explained that the accounts of the Federation referred to in section 169 of the Government of India Act were exclusive of the accounts relating to the discharge of the functions of the Crown in its relation with Indian States, which, under section 171, were to be submitted to the Secretary of State, with his audit report thereon by the Auditor General. In view, however, of the reiteration of the recommendations of the last two years by the non-official members of the Committee, the Chairman agreed to have the legal position re-examined.

17. A member of the Committee suggested that the Finance Accounts of the Central Government, which are laid on the table of the Legislature under section 169 of the Government of India Act, should be made available to the members of the Public Accounts Committee. It was recognized that the functions of the Public Accounts Committee, as defined in rule 52 of the Indian Legislative Rules, related to the scrutiny of Appropriation Accounts only ; but in order to aid them in such scrutiny, copies of the Finance Accounts would be supplied to the members of the Public Accounts

Committee It was hoped that, in future, the Finance Accounts would be ready at about the same date as the Appropriation Accounts

18. The legal position with regard to the publication of the Appropriation Accounts (item 17, Appendix I) was explained, and the Committee expressed their satisfaction with the decision to publish the Appropriation Accounts and the audit reports thereon as soon as they had been laid on the table of the Legislature

19. With regard to paragraph 15 of the proceedings of the Public Accounts Committee, 1938, the Chairman stated that Mr Chambers was engaged in framing detailed rules for the guidance of officers in the preparation of income-tax estimates As regards Customs Estimates, the Chairman assured the Committee that every effort was made to prepare the estimates on the basis of all relevant statistics and after close consultation with informed opinion on the subject of world trade conditions

20 After a discussion regarding the function of Treasury Bills in the system of Government finances, the Committee started the examination of the Audit Report The review of the Works Expenditure in paragraph 15 of the Audit Report disclosed that there were large savings under the grants dealing with Works Expenditure, especially in the provisions for major works The savings were attributed to the abandonment of projects, delay or non-issue of technical sanction to estimates, delay in starting, or postponement of works, changes in designs, delay in land acquisition, slow progress of work due to lack of materials, etc It was pointed out that the Committee had commented upon the large savings in the provision for works on earlier occasions also The Committee desired that, in view of this persistence of large savings, lump sum cuts should be applied more closely and rigorously in future at the time of budget estimates, especially in respect of new works, in order to counteract this tendency towards overbudgeting for Works Expenditure

21 The Committee again commented upon the third sub-paragraph of paragraph 17 and paragraph 30 of the Audit Report, regarding the wide variations under the sub-head relating to English Expenditure It was explained that, this was the first year in which all expenditure in England was split up for incorporation in the relevant subject and area demands, and that more accurate estimating would be possible after two or three years

22 The Committee were gratified to learn that the year 1937-38 was the first year out of the last 5 years, in which no supplementary demand presented to the Legislative Assembly, proved to be unnecessary

23 The audit of Customs revenue (item 19, Appendix I) next engaged the attention of the Committee The Auditor General explained at great length the working of the present system which had been introduced by himself with the approval of the Finance Department and the Central Board of Revenue Under this system, which had manifest advantages over the previous one of a peripatetic Examiner of Customs Accounts moving round the major ports, the audit of Customs revenue was entrusted to each Maritime Accountant General Continuous audit was carried out by trained auditors in each Customs House, and efforts were made to secure uniformity of procedure in all Customs Houses

The scope and functions of audit had been clearly defined on the same principles as were in force in England, *viz*, that it was the business

of audit to satisfy itself that a proper system existed for the assessment and collection of Government dues, that the system was in practice carried out, and that the sums of money collected were duly brought to account. It was entirely wrong in principle for audit to encroach upon the sphere of the Executive, but within the field defined for the proper performance of its duties, the Auditor General was satisfied that the system was functioning smoothly and efficiently. The Auditor General himself took a personal interest in the matter, and saw to it that the system did not degenerate into routine. The Committee endorsed the views of the Auditor General, and approved of the system in force.

The Committee adjournel till 2-30 P.M.

Proceedings of the fourth meeting of the Public Accounts Committee held on Monday, the 14th August 1939, at 2-30 P.M.

PRESENT :

The Honourable *Sir* JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Mr. B. DAS.	*Members*
Mr. S. SATYAMURTI	
BHAI PARMA NAND.	
Mr. J. RAMSAY SCOTT.	
Prof. N. G. RANGA.	
Maulvi MOHAMMAD ABDUL GHANI.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,	
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.	*Witnesses.*
Mr. K. SANJIVA ROW, C.I.E., Joint Secretary, Finance Department.	
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S. Auditor General of India.	

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

24. In connection with paragraph 28 of the Audit Report, dealing with the question of funds created from revenue surpluses, it was explained that the balance of these funds merged in the cash balance and was utilised for the ways and means purposes of the Central Government. At the time of the initial creation of the funds a programme for a number of years is chalked out, and the Finance Department approve of the amounts to be spent in any year.

25. The Committee were glad to note that their recommendation (item 10, Appendix I) to devise larger units of appropriation was being tried as an experiment in Grants Nos. 4, 28, 41, 60 and 63 in the estimates for 1939-40. The Committee desired that the results of the experiment should be reported to them in due course.

26. The rule framed in compliance with item No. 11 of the statement of recommendations made last year, was read out to the Committee. It was explained that the question had been very carefully considered, and that the Federal Public Service Commission had been consulted in the matter. The Committee expressed their gratification at the action taken by Government in complying with their recommendation.

27. The Committee then took up the examination of Grant No. 7-Stamps. The explanation for an additional appropriation for interest on capital outlay, namely, that it was mainly due to an unforeseen increase in the amount of interest bearing capital, led to some discussion on the

question of the capital account of the Security Printing Press. The Auditor General stated that the system had been devised by a Chartered Accountant and was quite suitable for such Government commercial concerns as were not run for profit but were really service departments.

28. With reference to item No. 14 of the statement of recommendations made last year, it was pointed out that the whole of the reserve in 1937-38 had been utilised ; and that while lump sum reserves were, in principle, open to objection, they were justified in commercial manufacturing concerns, which had to meet demands over which they had no control. The Chairman read out the note of the Master, Security Printing Press, India, in which he had discussed the utility of the reserve in years of rising demand and had stated that the reserve was surrendered at the earliest opportunity in a year of falling demand. The Committee agreed that the reserve provided the necessary element of elasticity in meeting demands for the products of the Security Printing Press.

29. *Grant No. 11—Interest on Debt, etc.*—A member of the Committee drew attention to the fact that the Committee had previously doubted the adequacy of the provision of Rs. 3 crores every year in the Central budget for the reduction or avoidance of debt. After some discussion, the Committee made the recommendation that the Finance Department should examine whether there should not be a separate provision for amortisation of the Railway debt, once the first quinquennium of the Niemeyer award is over.

30. During their examination of Grant No. 18—Finance Department, the Committee commented upon the fact that a supplementary appropriation had been sanctioned under ' Pay of Officers ' due to the appointment of additional officers during the course of the year. The Committee considered that the Finance Department in particular should avoid appointing additional officers in the middle of the year, unless there were unforeseeable circumstances.

31. *Grant No. 25.—Audit.*—The Committee were glad to receive the assurance of the Auditor General that in general sufficient funds were placed at his disposal for the discharge of his statutory duties.

32. *Purchases and Sales of Silver Account.*—The Committee agreed with the conclusion in the note (Appendix V) submitted in connection with item No. 15 of the statement of recommendations made last year, that the debit balance in the ' Purchases and Sales of Silver Account ' should not be written off to Government account.

33. The Committee examined Grant No. 61—Superannuation Allowances and Pensions and the heads relating to the Finance Department in Grant No. 63—Miscellaneous, at considerable length. The examination of the remaining Grants relating to the Finance Department was deferred to a later meeting.

The Committee adjourned till 11 A.M. next day.

Proceedings of the fifth meeting of the Public Accounts Committee held on Tuesday, the 15th August 1939 at 11 A M

PRESENT

The Honourable Sir JEREMY RAISMAN, C S.I., C I E, I C S, Finance Member, *Chairman*

BHAI PARMA NAND.
Mr J RAMSAY SCOTT.
Captain Sardar Sir SHER MOHAMMAD KHAN C.I E, M B E
Maulvi MOHAMMAD ABDUL GHANI
Dr. R D. DALAL, C I E
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
Khan Bahadur Sir ABDUL HAMID, C I E, O B E.

} *Members*

Mr. J F SHEEHY, C S I, I C.S, Member, Central Board of Revenue
Mr. T S PILLAY, Secretary, Central Board of Revenue.
The Hon'ble Mr C E JONES, C I E, I C S Finance Secretary
Sir ERNEST BURDON, K C I E, C S I, I C S, Auditor General of India

} *Witnesses*

Mr A C GUPTA, O B E, Accountant General, Central Revenues
Mr. RAM GOPAL, Audit Officer, Indian Stores Department

34 *Grant No. 1—Customs*—The Committee noted that, as desired by them (item No 20 of the statement of recommendations made last year), the classification of the payments of Customs revenue to the Cochin and Travancore Governments under the Cochin Port agreement had been re examined, and that these payments were, with effect from the year 1938-39, treated as deductions from revenue

The position regarding the treatment of receipts and expenditure on account of Overtime and Holiday Allowances and the Grants-in-aid, Contributions and Donations made therefrom, was next considered The Committee were of the opinion that the note in the Appropriation Accounts should be expanded so as to include the information given in the explanatory note contained in the detailed estimates of Demand for Grants

The attention of the Committee was drawn to the case reported in the Appropriation Accounts, in which the assessment of duty continued to be made for 20 years on the invoiced value of certain products imported by a firm, although this value did not include any addition on account of overhead charges and profits It was explained that the case was not one of simple fraud It was a special type of case which had arisen from the adoption of a particular accounting procedure by the firm The Committee agreed that no further action was necessary

35. *Grant No. 2.—Central Excise Duties.*—In connection with the variations under some of the heads in this Grant, it was explained that the budget estimates were based on the number of factories functioning at the time of framing the estimates. If the number of factories was reduced on account of economic conditions or the amalgamation of small concerns into bigger ones, staff was correspondingly reduced.

36. At the Auditor General's suggestion, the Committee recommended that, following the practice in England, a note similar to that under Customs, giving the statistics of receipts and net expenditure for the last 5 years should be produced under Grants No. 2—Central Excise Duties, No. 3—Taxes on Income including Corporation Tax, No. 4—Salt and No. 5—Opium.

37. *Grant No. 3.—Taxes on Income including Corporation Tax.*—In connection with item No. 21 of the statement of recommendations made last year, the results of the experiment in the audit of income-tax receipts were reported to the Committee. The Auditor General stated that the experiment had been conducted by an officer who had experience both of audit and of income-tax administration. The arguments which applied to limitation of Customs audit, applied still more forcibly in the case of income-tax audit. He was, therefore, convinced—and the Committee accepted his conclusion—that it was inadvisable to extend his audit to income-tax receipts.

A member of the Committee raised the question whether the amounts spent on judicial proceedings bore any proportion to the amount of the assessment in question. The Chairman explained that even though the amount involved might be small, Government regarded it necessary to take the matter to a higher court if the principle in question was important.

38. *Grant No. 4.—Salt.*—The Committee were informed that, as a result of the combination of the Central Excises with the Salt Department in Northern India, it had been found necessary to split up the charge of the Commissioner, Northern India Salt Revenue, into two, each under a Collector. This bifurcation required a small legislative amendment, which would be moved in the next session of the Legislature.

The Committee were glad to note that the budgeting and control under this Grant had been extraordinarily close.

39. The Committee then took up the examination of the accounts relating to the Finance Department, which had been left over from the previous meeting.

Grant No. 80.—Expenditure on Retrenched Personnel charged to Capital.—The Committee were glad to note the decision of the Government of India to write off to revenue the entire balance outstanding under this head at the end of the year 1937-38, and to meet any further payments of gratuities to retrenched personnel direct from revenue.

40. *Grant No. 82.—Loans and Advances bearing Interest.*—After a consideration of the note (Appendix VI) submitted in connection with item No. 16 of the statement of recommendations made last year, the Committee accepted the necessity for a reserve of Rs. 10 lakhs in this Grant.

41. The Committee agreed to recommend an excess vote in respect of the excesses in the voted sections of the following Grants, the examination of which had been completed by them :—

Grant No 37.—Other Scientific Departments.

Grant No 58.—Currency

Grant No. 61.—Superannuation Allowances and Pensions.

Grant No 79.—Commuted Value of Pensions

The Committee adjourned till 2-30 P.M.

Proceedings of the sixth meeting of the Public Accounts Committee held on Tuesday, the 15th August 1939, at 2-30 P.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

BHAI PARMA NAND. Mr. J. RAMSAY SCOTT. Maulvi MOHAMMAD ABDUL GHANI. Dr. R. D. DALAL, C.I.E. Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA, Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E	*Members.*
Mr. J. D. TYSON, C.B.E., I.C.S., Secretary, Department of Communications. Mr. F. TYMMS, C.I.E., M.C., Director of Civil Aviation. Mr. A. S. BOKHARI, Controller of Broadcasting. Mr. A. D. GORWALA, I.C.S., Deputy Secretary Department of Communications. Mr. K. G. MITCHELL, C.I.E., I.S.E., Consulting Engineer to the Government of India (Roads).	*Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

Mr. GHULAM MOHAMMAD, Finance Officer, Communications.

42. *Grant No. 31.—Meteorology.*—Attention was drawn to the large surrender under the head ' M. 1 (2)—Stores for India ', which was stated to be due to carry-forward of liabilities to the next year. It was explained that such variations from the original budget estimates would be avoided in future, as budget provision was now based upon the anticipated payments during the year and not upon the value of orders placed.

43. *Grant No. 47.—Aviation.*—The variations in this Grant were explained as being due to the difficulties in accurate estimating in an expanding service and the postponement of the inauguration of the Empire Air Mail Scheme from October 1937 to February 1938.

A member of the Committee drew attention to the large surrender under the head ' B.-1—Special Grants-in-aid from the additional tax on Petrol consumed for Aviation purposes '. It was pointed out that, in order to avoid the recurrence of such a situation, the Public Accounts Committee had recommended last year that the tax on petrol consumed

for Aviation purposes should be constituted into a separate fund from which the grants-in-aid might be allotted as required The Committee's recommendation had been accepted and a fund had been constituted with effect from the current year

44 *Grant No 48.—Capital Outlay on Civil Aviation charged to Revenue.*—It was stated that the fund from which the expenditure on this head was met, would not be quite exhausted by the end of this year. The Committee commented upon the savings of 45 2 per cent under this head, as compared with the original appropriation, and observed that a similar comment had been made on the accounts of 1936-37 in paragraph 38 of the proceedings of the Public Accounts Committee, 1938 The Committee remarked that since experience had shown that the Department was not able to work up to its estimated requirements, it should estimate its requirements on a more modest scale, so as to correspond more closely with the actual achievement

45 *Grant No 49.—Broadcasting* —Comment was made on the re-appropriations under a number of heads, which were explained as being due to the difficulties and inexperience inherent in a new service It was hoped that, with the appointment of an Administrative Officer, an improvement in budgeting and control would take place

There was some discussion on the results of the anti-piracy campaign, which was conducted by the Posts and Telegraphs Department on behalf of the Broadcasting Department It was stated that a staff of about 60 persons was engaged on this work, and the general staff of the Postal Department were also devoting their attention to it The Committee were glad to note that the campaign had achieved a considerable measure of success

The question was raised whether any attempt was made to co-ordinate the statistics of imports with the number of licenses issued It was explained that, while an attempt in this direction was made, it was necessarily incomplete because of the absence of figures relating to stocks held by dealers

46 The Commercial Accounts relating to this Department were next examined. The losses on radio publications called forth some adverse comments In the case of the Indian Listener, for example, in spite of a rise in circulation, the loss in 1937-38 was almost three times that in 1936-37 The explanation for this state of affairs was to be found in the heavy expenditure caused by successive increases in the size of the journals to accommodate the programmes of new stations without corresponding increases in the rates of subscription. It was stated, however, that vigorous efforts were now being made to cut down the losses A saving of Rs 59 000 per annum would accrue from the recent contract for printing, the receipts from advertisements were on the increase , the rate of subscription had been raised from Rs 4 to Rs 6 per annum , and in general, the business side of these publications was being looked after more carefully The Committee were glad to note the steps taken, and recommended that every effort should be made to place these journals on a self-supporting basis during the current year

47 *Central Road Fund.*—The accounts of the Central Road Fund were examined It was noticed that some Provinces had in the past been unable to spend up to the allotments made to them resulting in a balance

with the Provinces on the 31st March 1938 which amounted to Rs. 98.6 lakhs. It was explained to the Committee that, with effect from the financial year 1937-38, the allocations to Provinces were retained by the Central Government until actually required for expenditure. At the end of that year the amount so held by the Central Government was Rs. 93.89 lakhs.

48. *Vizagapatam Port.*—In connection with item 22 of the statement of recommendations made last year, the financial position of the Vizagapatam Port was reviewed. The note (Appendix VII) submitted on the Depreciation Reserve Fund of the Port showed that, according to recent orders issued on the subject, the method of calculating the annual contribution from revenue to the Depreciation Fund had been revised to provide for depreciation on all wasting assets above Rs. 2,000 in value with one minor exception. This the Committee regarded as satisfactory. It was noted that the effect would be to raise the sum payable annually as depreciation by over Rs. 80,000. The general financial position of the Port was, however, not at all reassuring. Although during 1937-38, there had been a small revenue surplus (without any payment towards interest and with an inadequate provision for depreciation), there had been a deterioration in the position during 1938-39. The economies resulting from the Administrative Officer's review of expenditure and certain further economy and revenue proposals stated to be under consideration would, even if fully practicable, do little more than counterbalance the additional provision for depreciation. It was explained that the Port depended almost entirely upon the export of one commodity. A contributory factor in the difficulties of the Port lay in the operation of the telescopic rates system for railway freights which in some respects operated against Vizagapatam as compared with other ports, *e.g.*, Calcutta. Reference was made to the flourishing condition of the feeder lines specially constructed to serve the Port. In contrast to the financial straits of the Port, this branch line was paying a return of over 7 per cent. on the capital invested. The general impression in the Committee was that the Port would continue to be a burden on the general taxpayer, unless the Railway had a stake in its development. *The Committee, therefore, recommended that the question of handing over the Port to the Bengal-Nagpur Railway should be actively pursued, and a report submitted to the Committee next year.*

The Committee adjourned till 11 A.M. next day.

Proceedings of the seventh meeting of the Public Accounts Committee held on Wednesday, the 16th August 1939 at 11 A.M.

PRESENT

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Members:

- BHAI PARMA NAND
- Mr J. RAMSAY SCOTT
- Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.
- Maulvi MOHAMMAD ABDUL GHANI.
- Dr. R D. DALAL, C.I.E.
- Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA
- Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Witnesses:

- The Honourable Mr. M. S. A. HYDARI, C.I.E., I.C.S., Secretary, Department of Labour
- Mr. N MAHADEVA AYYAR, I.C.S., Deputy Secretary, Department of Labour

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr A C GUPTA, O.B.E., Accountant General, Central Revenues

The Honourable Mr C E JONES, C.I.E., I.C.S., Finance Secretary.

49 *Grants No 32.—Geological Survey, and No 36.—Mines*—The Co mmittee examined these Grants and recommended that the required exce grants should be voted by the Legislature.

50 *Grant No 60—Civil Works—Review of Works Expenditure*—A detailed examination of the modifications of, and surrenders from, the original provision for works expenditure confirmed the observations in paragraph 15 of the Audit Report, regarding the large savings in this Grant, especially in the provision for Major Works. The savings were attributed to a number of causes, but the main reason appeared to be delay in starting or postponement of, works for want of duly sanctioned detailed estimates. The Public Accounts Committee had on previous occasions also drawn attention to the large variations in this Grant. It was explained, however, that two changes had been introduced about eighteen months ago, which should go far to remedy this unsatisfactory state of affairs. In the first place, orders had been issued by the Finance Department in February, 1938, that the provision for any work, which it was decided to include in the budget estimates, should be made in consultation with the Labour Department, and should be limited to what was definitely expected to be spent during the course of the year. Secondly, a supplementary list of works in contemplation was to be appended to the Civil Works Demand, so that selected works from this list could be undertaken and financed from any savings which might be available from the provision for budgeted works. An improvement could also be expected

from the fact that in most provinces the Central P. W. D. had taken over or would shortly take over the works under their direct charge, for in the past, the Provincial P. W. D. had been responsible for many cases of delay in the execution of Central work. The Committee hoped that, in future, the budgeting and control of this Grant would improve, and that actuals would approximate more closely to the budget estimates.

51. The Committee next considered the recommendation made by them last year (item No. 24 of the statement of past recommendations), viz., that, in the case of large capital projects requiring a number of years for completion, the possibility of devising a procedure, under which the required sum may be provided in a fund from which expenditure may be met as the work progresses, should be considered with a view to avoiding the difficulties of grants and lapses. It had been stated by the Labour Department that the possibilities would be considered when undertaking large capital works in future. The Auditor General, however, desired to sound a note of caution against this procedure which meant a further step in the process of voting money out of account and vitiating parliamentary financial control. The Committee were impressed with the point of view put forward by the Auditor General.

52. The report (Appendix VIII) submitted with reference to item No. 26 of the statement of recommendations made by the Committee last year, was examined, and it was noted that a further report on the subject would be made to the Committee next year.

53. In connection with item No. 27 of the statement of past recommendations, the Committee examined the statements given in paragraph 5 of the Important Comments under this Grant in the Appropriation Accounts, and noted that similar statements would continue to be furnished in the Appropriation Accounts in future years. It was noticed, however, that the relation between the statements given in sub-paragraphs (2) and (3) of the paragraph referred to above, was not clear on the face of it. The Auditor General undertook to have this point examined.

54. The administration of the reserve provided in this Grant was examined in the light of item No. 28 of the statement of recommendations made by the Committee last year. It was seen that the reserve had been utilized mainly for the regrant of lapses and to a small extent for unforeseen minor works. The amount spent on special repairs was a very small part of the reserve. The Committee regarded the position as satisfactory.

55. In connection with item 29 of the statement of recommendations made last year, a member of the Committee raised the question whether the advantages and disadvantages of *pro-rata* system had been fully considered. The Auditor General explained that the adoption of the fluctuating *pro-rata* basis led to the percentage charges varying in inverse ratio to the amount of work undertaken by the Public Works Department. Since this discouraged outside bodies from entrusting work to the P. W. D. at the very time it was to their advantage to undertake such work, it had been decided, a few years ago, in consultation with the Labour and the Finance Departments, to fix a normal percentage for a number of years. This rate was reviewed every year in the light of the rate arrived at with reference to actual expenditure; and if the variation was not large, the fixed rate

was left unaltered. The Committee agreed that the system in force was based on sound principles

56 It was noted that the recommendation of the Committee made last year (*vide* item No 30 of the statement of past recommendations) to amalgamate sub-heads under this Grant had been given effect in the budget estimates for 1939-40 The Committee desired that the results of this experiment should be reported to them in due course

The Committee adjourned till 2-45 P M.

Proceedings of the eighth meeting of the Public Accounts Committee held on Wednesday, the 16th August 1939 at 2-45 P.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Members:

BHAI PARMA NAND.
Mr. J. RAMSAY SCOTT.
Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.
Maulvi MOHAMMAD ABDUL GHANI.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Witnesses:

The Honourable Mr. M. S. A. HYDARI, C.I.E., I.C.S., Secretary, Department of Labour.
Mr. N. MAHADEVA AYYAR, I.C.S., Deputy Secretary, Department of Labour.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Honourable Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

57. *Grant No. 62—Stationery and Printing.*—The Committee noted the action taken on their recommendation made last year (item No. 31 of the statement of past recommendations).

58. A member of the Committee called in question the necessity of having separate Government Presses at Aligarh, Delhi, Simla and Calcutta. It was explained that the Aligarh Press worked only on the printing of forms ; urgent work was executed at Delhi and Simla ; and comparatively less urgent work was entrusted to the Calcutta Press. Some years ago, the question of bringing the Calcutta Press to Delhi was considered, but it had been found that this would not lead to any economy in expenditure.

59. The attention of the Committee was drawn to the statement at page 180 of the Commercial Appendix, which showed that very little of the Railway work was being done by Government Presses. It was explained that Railways got most of their work done by private presses.

60. In connection with the pricing of Government publications, it was suggested that it might be useful to have cost accounts for each item of work. The Secretary, Labour Department, undertook to examine the point.

61. With reference to item No. 32 of the statement of recommendations made last year, the question of unwanted publications that cannot be kept in stock in the Central Publication Branch, was discussed at some length. It had previously been suggested that they should be distributed free or at

half prices rather than destroyed. The Secretary, Labour Department, stated that it was difficult to hope for much improvement by pursuing this line of action, and that the proper approach to the question lay in devising a system, under which the number of surplus copies should be reduced to negligible proportions. The Committee were inclined to accept this view, and recommended that the Labour Department should be asked to lay down a procedure, in consultation with other Departments of the Government of India, for limiting the number of copies printed, especially in the case of technical and scientific publications, the demand for which was very limited.

62 The Committee recommended that an excess grant to cover the excess of Rs. 84,272 under this head should be voted by the Legislative Assembly.

Finance Department.

63. The Committee next considered item No. 13 of the statement of recommendations made by them last year, which had been left over from a

The Committee adjourned till 11 A.M. next day.

Proceedings of the ninth meeting of the Public Accounts Committee held on Thursday, the 17th August 1939 at 11 A.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Bhai PARMA NAND.
Mr. J. RAMSAY SCOTT.
Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.
Maulvi MOHAMMAD ABDUL GHANI.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
} *Members*.

Mr. E. CONRAN-SMITH, C.I.E., I.C.S., Secretary, Home Department.
Mr. J. C. TALUKDAR, I.C.S., Deputy Secretary, Home Department.
Mr. J. HENNESSY, Principal Information Officer.
} *Witnesses*.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Honourable Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

64. *Grant No. 12.—Executive Council.*—It was noticed that the nominal reduction of Rs. 301 made by the Legislative Assembly had not been realized, but that, on the other hand, there had been an excess of Rs. 355 in the voted section of this Grant. After some discussion, the Committee came to the conclusion that the excess was too small to have any financial significance, and that it should be regarded as purely accidental. The Committee, therefore, decided to recommend that the necessary excess grant be voted by the Legislative Assembly.

65. *Grant No. 15.—Home Department.*—It was noticed that, during 1937-38 also, considerable savings had accrued in the original appropriation under sub-head ' C.-4—Secret Service Contingencies '. In this connection, the attention of the Committee was drawn to item No. 38 of the statement of recommendations made last year, and it was stated that the lump sum cut made under this head in the estimates for 1939-40, was so considerable as to leave little room for savings. The Committee expressed their satisfaction with the position.

66. The accounts relating to Grants Nos. 26.—Administration of Justice, 27—Police, 53—Census, 57—Miscellaneous Departments and 63—Miscellaneous, were examined in considerable detail.

67. *Grant No. 67.—Delhi.*—The note on the receipts and expenditure of Delhi Province, appearing below the Appropriation Accounts for the

Grant, which had been prepared in compliance with item No 18 of -e statement of recommendations made by the Committee last year, was the subject of a prolonged discussion. The difficulties in preparing a *pro forma* account of sufficient accuracy, to be of any utility, had already been pointed out in a note from the Accountant General, Central Revenues, which had been reproduced as Appendix XVI to the Report of the Public Accounts Committee, 1938. It was, however, suggested that, notwithstanding these undoubted difficulties, it would be of advantage to know the extent to which the administration of Chief Commissioners' Provinces, was subsidized by the general revenues of the Central Government While the statements of receipts and expenditure, given under the various Area demands in the Appropriation Accounts indicated that they were all deficit Areas, the statements did not give the detailed figures relating to particular heads on which alone a proper understanding of the financial position could be based. On the other hand, the statements included figures of total receipts and total expenditure adjusted in the accounts of the Areas, which were irrelevant to the purpose for which the statements were prepared It was recognised that a compilation of the figures relating to these Areas in a serviceable form would be an onerous task, but the Auditor General undertook to have a further enquiry made, the results of which would be reported to the Finance Department The Committee were content to let this ma''er be pursued departmentally

68. *Grant No.* ' —*Ajmer-Merwara*.—Comment was made upon the reappropriation fro' b-head C (Account No I)—Commission on Land Revenue Collec' hich had the effect of augmenting the uncovered excess under t' It was remarked that the reappropriation should not have ' ithout local information regarding the progress of experi

C —*Andamans and Nicobar Islands*.—The Commen-al / Shipping, Marine and Supply Departments were -am itant General, Central Revenues, drew attention to the uction in the cost of coal, mentioned in paragraph 178 of Appendix, was the result of a suggestion made by local ittee were glad to note the improvement in the financ Shipping and Marine Departments In view of the fa ry', and the 'butchery', as well as the Supply Depart as a whole had shown a profit for the fourth success t the Supply Department was really a Service Depart t run primarily for profit, the Committee accepted the con te (Appendix IX) submitted in connection with item N ent of their recommendations made last year

Th mmended an excess grant to cover the excess of Rs. 825

Th rned till 2-30 P.M.

Proceedings of the tenth meeting of the Public Accounts Committee held on Thursday, the 17th August 1939, at 2-30 P.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Members.

Bhai PARMA NAND

Mr. J. RAMSAY SCOTT.

Maulvi MOHAMMAD ABDUL GHANI

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Witnesses.

Mr. O. K. CAROE, C.I.E., I.C.S., Secretary, External Affairs Department.

Mr. G. K. S. SARMA, Under Secretary, External Affairs Department.

Major G. L. MALLAM, Finance Secretary to the Government of the North-West Frontier Province.

Rai Sahib Lala SUKH DAYAL, Financial Assistant to the Agent to the Governor General and Chief Commissioner, Baluchistan.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

70. *Tribal Areas.*—The Committee were glad to note that, as recommended by them last year (item No. 36 of the statement of recommendations made by them last year), a letter, dealing with the irregularities in expenditure in the North-West Frontier Province, brought to light during the audit of Khassadar and other unauthorized funds, had been issued.

The Committee examined the accounts in detail, and noted that the modifications from the original appropriations were almost entirely on account of Waziristan disturbances. The gross additional appropriation amounted to no less than Rs. 49 lakhs; but 25 lakhs out of it were met from the Fund for special Frontier Expenditure including Development for the purpose of new road construction in Waziristan. At this stage, the Auditor General raised a general question, regarding the necessity of comparing not merely the final appropriation with the actual expenditure, but also the original appropriation with the final appropriation and actual expenditure. In the case of voted grants, the original and supplementary grants were shown separately, and the Auditor General regarded it a-

equally important that, in the case of non-voted heads, the original appropriation also should be brought to notice, particularly when large additions were made by Executive orders The Committee accepted the views of the Auditor General

71. In regard to Works Expenditure other than on works relating to Frontier Watch and Ward, the Committee endorsed the audit comment that, while control over Works Expenditure was, on the whole, satisfactory, there was room for improvement in estimation

72 *External Affairs*—In connection with item No 37 of the statement of recommendations made by them last year, the Committee noted that the question of the incidence of Persian Gulf expenditure was still under discussion with His Majesty's Government, and reiterated their recommendation of the last year that a decision on this question should be arrived at as soon as possible

73. A member of the Committee enquired whether expenditure on the upkeep of Bahrein prisoners, accounted for under 'H 4—Other Refugees and State Prisoners', was a proper charge on Indian revenues The External Affairs Department undertook to examine this point

74 *Baluchistan.*—It was noticed that the progress of the Quetta Reconstruction was slower than was originally expected This, however, was not to be deplored, as the greater consideration given to the type of the structure to be erected in Quetta, had yielded valuable economies

The Committee were gratified to find that considerable impetus had been given to the development of forests in Baluchistan, and that increased expenditure had brought its own reward in a still bigger increase in receipts Another satisfactory feature of the Baluchistan Accounts was the considerable savings effected by the re-organization of the services in Baluchistan. In Police alone, the annual saving was estimated at Rs 2 lakhs

The Committee adjourned till 11 A M next day

Proceedings of the eleventh meeting of the Public Accounts Committee held on Friday, the 18th August 1939, at 11 A.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Members:

- Bhai PARMA NAND.
- Mr. J. RAMSAY SCOTT.
- Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.
- MAULVI MOHAMMAD ABDUL GHANI.
- Dr. R. D. DALAL, C.I.E.
- Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Witnesses:

- Sir G. V. BEWOOR, C.I.E., I.C.S., Director General, Posts and Telegraphs.
- Mr. GHULAM MOHAMMAD, Finance Officer, Communications.
- Mr. K. S. V. RAMAN, I.C.S., Deputy Director (Finance), Posts and Telegraphs.
- Mr. A. BROKENSHAW, Chief Engineer, Posts and Telegraphs.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. M. SUBRAHMANYAN, Accountant General, Posts and Telegraphs.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

75. The Committee examined at length the financial review of the working of the Posts and Telegraphs Department for the year 1937-38. It was noted that all profits since 1936-37 had been utilized to pay off the interest bearing and non-interest bearing accumulated losses of the earlier years of depression since 1927-28.

76. *Losses on Press Traffic.*—The Committee considered the memorandum (Appendix X) on the loss of Press traffic, submitted in connection with item No. 40 of the statement of recommendations made by them last year. In the course of a lengthy discussion, the question was examined from all sides. The Committee were inclined to agree with the view taken in the memorandum that it was difficult to calculate the gain or loss on a particular kind of traffic in a system which handled several kinds of traffic. The basic fact was that there was loss on the working of the Telegraph Branch as a whole, and since Press Telegrams were issued at concessional rates, a considerable part of the loss could be attributed to the Press traffic. A precise calculation of this loss based as it would be on assumptions, the validity of which was open to certain objections, was, therefore, impracticable. The memorandum showed that, according to the only practicable method of calculation, the savings to the Department, consequent upon the abolition of Press traffic in 1937-38, would amount to

nearly Rs. 6 lakhs, as against the revenue derived from such traffic of nearly Rs. 6.73 lakhs; but it was emphasised that the commercial cost to the Department of handling the Press traffic, including engineering and other overhead expenses which formed a legitimate charge, was not less than Rs. 23 lakhs.

It was therefore considered that the proper approach to the question lay in deciding what reductions in the concessions already granted, could be justified on financial and administrative grounds. While it was recognized that it was in the public interest that Press Telegrams should be sent at a cheaper rate than ordinary telegrams, the practical determination of the extent of the concession was a difficult matter. One concession, namely, the concession in the case of multiple address press telegrams, by which copies of the same Press message could be sent to different places on payment of a small copying fee only, appeared to the Committee to lack justification. The Committee, therefore, desired that the question of revising the multiple address concession which, it was understood was already engaging the attention of the Posts and Telegraphs Department, should be examined with a view to ascertaining the possibility of some curtailment of the concession, and a report made to the Committee next year.

A matter of some interest that came to the notice of the Committee during the course of this discussion was that carrier circuits, which rendered it possible to send more than one message on different wave lengths on one physical circuit, had enabled the Department to place certain spare circuits at the disposal of Reuters at an annual rent of Rs. 1 lakh. This arrangement, which was beneficial both to Government and to Reuters, had, it was estimated, reduced the number of Press Telegrams by about a lakh in 1938-39, and to that extent had reduced the loss on handling Press traffic.

77. It was considered that the table showing the percentage of working expenses to revenue in paragraph 10 of the Director-General, Posts and Telegraphs' Financial Review, was misleading inasmuch as it excluded the provision for depreciation from working expenses, for the reason that it did not contribute directly towards the earnings of revenue. On this ground, it would be equally logical to exclude interest as well. The Committee, therefore, suggested that in future two tables should be prepared, one exclusive of interest and depreciation, and the other inclusive of these charges.

78. The memorandum (Appendix XI) on the adjustment between the different branches of the Posts and Telegraphs Department of the contribution made from revenue to the Renewals Reserve Fund, which was submitted with reference to paragraph 79 of the proceedings of the Public Accounts Committee, 1938, was next considered. It was stated that the percentages, in which it was proposed to apportion the amount of contribution between the different branches, had been fixed after consultation with the Auditor General. The Committee approved of the proposed percentages. In this connection, it was explained that the annual contribution of Rs 25 lakhs, which, after the separation of Burma, was reduced to Rs. 23.13 lakhs, had been fixed for a term of 5 years, at the end of which period it would be revised. It was possible that the provision might have to be enhanced in view of the rising proportion of capital expenditure on telephones and radios, where the life of the assets was shorter and

the factor of obsolescence more important than in the other branches of the Department.

79. *Audit Report.*—The examination of the Audit Report was then taken up. The attention of the Committee was drawn to the statement in paragraph 5 of the Audit Report, that the tendency to overestimate the normal requirements of the Department had been a persistent feature of the budget for the last three years. It was explained, however, that the saving under Grant No. 10, although apparently large in amount, was only 1.9 per cent. of the total grant. In the case of Grant No. 73.—Capital Expenditure, where the saving, both in amount and in terms of percentage, was really large, the divergence from the original budget provision was stated to be due to the postponement of works on account of a phenomenal rise in the price of copper in the early part of the year 1937-38. The rise in price, which had been caused by the speeding up of the re-armament programmes of the various countries, transformed a number of remunerative works into unremunerative ones. Since most of the works were not urgent, but were intended for an expansion of the service, it was decided to postpone them until prices had come down more or less to normal. This anticipation was fulfilled in the later part of the year, and the works programme was resumed. The Committee were, however, inclined to the view that Grant No. 73 was a proper case for the imposition of a lump sum cut. This, it was stated, had been done in the budget for 1938-39, although it had to be confessed that in spite of the cut, the final saving was expected to be very large. The Committee recommended the imposition in future of a really adequate and effective lump sum cut in Grant No. 73.

Another feature of the works expenditure, which appeared to require a change, was that referred to in paragraph 7 of the Audit Report. It appeared that in the Posts and Telegraphs Department, budget provision was made on the basis of sketch estimates, and that this was partly responsible for inaccuracies in the budget. The Committee recommended the adoption of the same procedure as was in force on the Civil side, namely, to make provision only after consultation with the technical department.

In connection with the price of copper, a member of the Committee raised the question whether the Department was allowed to accumulate stock when the prices were low. In reply, it was stated that only six months' stock was kept, although, as a measure of war preparedness, the question was under consideration whether larger stocks should not be kept.

80. It was noticed that deviations from the estimates were, in many cases, attributed to the increase in stock resulting from the transfer of charged off maintenance stock and unaccounted for stores found lying in various divisional and sub-divisional depots, to the Stores Account. In this connection, it was explained that, during the year under report, the stores organization of the Department had been overhauled and depots had been established at the headquarters of the Engineering Divisions. Stock verification on a large scale had been carried out and stores worth about Rs. 12 lakhs, which had previously been either left unaccounted for or charged off to the maintenance grant, had been brought to account under the usual Capital Suspense Head. This change in the system of

accounting has enabled closer accounts control over the disposal of stores and facilitated the audit of stores accounts

81. The variations under the sub-head 'H.—Stamps, Postcards, etc' in Grant 10, led to a discussion on the possibility of improving the estimating and control in respect of this head It was stated that the excess was due to larger indents in March 1938, and that Heads of Circles had now been instructed to keep a watch on the rate of sale of stamps It was hoped that this would lead to better estimating in future

82 In explanation of some of the instances of defective control, given in the Audit Report, it was stated that this was due to the complicated system of budget heads originally designed to facilitate the preparation of commercial *pro forma* accounts With effect from the year 1938-39, the budget heads had been greatly simplified with the approval of the Auditor General.

The Committee adjourned till 2-30 P M.

Proceedings of the twelfth meeting of the Public Accounts Committee held on Friday, the 18th August 1939, at 2-30 P.M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Bhai PARMA NAND.
Mr. J. RAMSAY SCOTT.
Maulvi MOHAMMAD ABDUL GHANI.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.
} *Members.*

Sir G. V. BEWOOR, C.I.E., I.C.S., Director General, Posts and Telegraphs.
Mr. GHULAM MOHAMMAD, Finance Officer, Communications.
Mr. M. S. V. RAMAN, I.C.S., Deputy Director (Finance), Posts and Telegraphs.
Mr. A. BROKENSHAW, Chief Engineer, Posts and Telegraphs.
} *Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. M. SUBRAHMANYAN, Accountant General, Posts and Telegraphs.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

83. During the examination of the financial irregularities mentioned in the Audit Report, it was noticed that the amount of defalcations or loss of public money in 1937-38 was considerably in excess of the corresponding figures for the previous two years. The Director General, Posts and Telegraphs, explained that this was mainly due to one big defalcation lasting over 10 years, in which a postal employee had taken advantage of the trust reposed in him by a number of savings bank depositors who had left their pass books in his custody. He had been tried and sentenced to 14 years' imprisonment. As pointed out by the Accountant General, Posts and Telegraphs, no defect in the system had been revealed. However, a departmental committee of three officers had been appointed to examine the whole question of Savings Bank and Cash Certificate procedure. As a result of their recommendations, the system had been tightened up in many ways, and savings bank work had been withdrawn from a number of post offices where reliable extra-departmental men were not available. In relation to the total volume of monetary transactions of the post offices, neither the loss due to defalcations nor the amount of compensation for loss or damage to insured articles, was appreciable.

84. The Committee were glad to note that the centralization of telephone accounts had resulted in a considerable saving, and that bills were sent to subscribers earlier than before.

85. The attention of the Committee was drawn to paragraph 95 of the Proceedings of the Public Accounts Committee, 1937 The scale of permissible variations between grant or appropriation and actual expenditure had been approved by the Committee for a period of two years As the budget form had been recast in 1938-39, it was proposed, after consultation with the Auditor General, that the previous limit should apply for another two years. The Committee accepted the proposal

86 The Appropriation Accounts under each head of the Grant were examined by the Committee in great detail The Committee had occasion to note a number of entirely unnecessary heads, which, it was stated, had disappeared in the simplified budget form adopted with effect from 1938-39

87 The Committee were particularly glad to see that two of the biggest heads 'J II 2' and 'J III 1' in Grant No 10, showed remarkably close estimating and control

88. It was noticed that the capital expenditure on post office buildings, which was accounted for under the major head '21—Posts and Telegraphs—Capital Outlay charged to Revenue', was met from Central Civil revenues and not provided for under Grant No 73 Although this capital expenditure was added to the interest bearing capital of the Posts and Telegraphs Department, it appeared anomalous to leave it to the exigencies of the Civil budget whether an integral part of the capital programme of the Posts and Telegraphs Department, even though technically non-productive, should be financed or not The Committee, therefore, desired that this matter should be looked into

89. A member of the Committee raised the question why a lump sum cut should not be levied on Grant No 10, in which there had been savings of over Rs 20 lakhs in 1936-37 and 1937-38 It was pointed out that the savings were comparatively small in relation to the total amount of the Grant, and that in 1935-36 there had actually been an excess over the Grant. The case of Grant No 73 was, however, different, as there had been large savings in that Grant and a lump sum cut had already been imposed in 1938-39 It was further stated that, with the creation of the Telephone Development Fund of 2¼ crores for 5 years' capital expenditure, the question of lump sum cut would cease to apply in respect of a large portion of the capital expenditure The Works Expenditure of the other branches would, however, be subject to a lump sum cut The Committee accepted the position outlined above, particularly in view of the Auditor General's observation that, although some years ago he had been constrained to criticise severely the administration of the Posts and Telegraphs Department he desired now to acknowledge the remarkable improvement in control, which had taken place in recent years

The Committee adjourned till 11 A M on Monday

Proceedings of the thirteenth meeting of the Public Accounts Committee held on Monday, the 21st August 1939 at 12 Noon.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Members:
- Bhai PARMA NAND
- Mr. J. RAMSAY SCOTT
- Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.
- Maulvi MOHAMMAD ABDUL GHANI
- Dr. R. D. DALAL, C.I.E.
- Khan Bahadur Shaikh FAZL-I-HAQ, PIRACHA
- Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Witnesses:
- Sir ALAN LLOYD, C.S.I., C.I.E., I.C.S. Addl. Secretary, Department of Commerce.
- Rai Sahib LADLI PERSHAD, Assistant Secretary, Department of Commerce.
- Mr. R. W. TARGETT, CHIEF Controller of Stores, Indian Stores Department.
- Rai Bahadur KIRPA RAM, Deputy Director of Administration and Intelligence, Indian Stores Department.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General of India.

Mr. GHULAM MOHAMMED, Finance Officer, Communications.

Mr. A. C. GUPTA, O.B.E., Accountant-General, Central Revenues.

Mr. RAM GOPAL, Audit Officer, Indian Stores Department.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

90. *Amalgamation of the India Stores Department in England with the Stores Department in India.*—Last year the Committee had asked that the decision on the above subject, should be reported to them (item No. 33 of the statement of recommendations). It was explained that the High Commissioner's remarks on the proposal were under consideration and that it was hoped to reach a decision within the next few months. The Committee desired that the matter should be expedited and a report submitted to them next year.

91. *Pro forma Accounts of the Indian Stores Department.*—An examination of the subsidiary accounts relating to the Indian Stores Department in the Appropriation Accounts showed that there was a net excess of expenditure over income in the commercial and non-commercial sections and in the Department as a whole amounting to over Rs. 6 lakhs. On the non-commercial side, the accounts of the Government Test House showed a net loss of over Rs. 3 lakhs. In the commercial sphere, however, the

Metallurgical Inspectorate had a small amount of profit to its credit. It was explained that, while the latter was managed on a purely commercial basis, the former, namely, the Government Test House, was really a national laboratory intended to help national industries. The loss on its working should thus be regarded as Government contribution to industrial development.

In this connection, the question was raised that the income of the Department represented the amounts actually realized as well as *pro forma* credits for the services rendered to the non-commercial departments of the Government of India, against which no charges were actually made. Credits from Provincial Governments, who were responsible for about 10 per cent of the gross turnover and from commercial departments, were rightly treated as revenue, but the *pro forma* credits could justifiably be called illusory. It was stated that the Retrenchment Committee, 1932 had also regarded as misconceived the idea of putting the Indian Stores Department on a self-supporting basis with the help of these *pro forma* credits. According to that Committee, a correct picture of the financial position could only be obtained if, on the receipt side of the account, credit was taken for the large savings in the expenditure budgets of consuming departments on the cost of stores purchased by the Indian Stores Department. A calculation of any such savings would, however, be largely conjectural, and therefore the Auditor-General suggested that the real test of the comparative success or otherwise of the Department was to compare the percentage, which the cost of the Department bore to the volume of purchases made. Judged from this standpoint, the Department had shown satisfactory progress, as the incidence of cost was now 1 07 per cent. against 1 13 per cent in 1937-38 and 1 38 per cent four years ago. After some further discussion of the question whether it was necessary to maintain in their present form these *quasi*-commercial accounts inclusive of *pro forma* credits from non-commercial departments, the Committee came to the conclusion that it was necessary to have the question re-examined and a report submitted to them next year.

92 *Grant No 29—Lighthouses and Lightships*—The Committee noted that it had been decided to abolish the Additions and Replacements Reserve of Lighthouses and Lightships Department (item No 35 of the statement of recommendations). On concluding their examination of the accounts relating to this head, including commercial accounts, the Committee recommended that an excess grant for Rs 6,765 should be voted by the Assembly.

93 *Bengal Pilot Service*—With reference to item No 34 of the statement of recommendations made last year, it was stated that, subject to the advice of the Advisory Committee, the provisional conclusion had been reached that the balance in the Heavy Repairs Reserve Fund for the Bengal Pilot Service was excessive and that contributions to it as well as to the Depreciation Reserve should cease until the replacement of the pilot vessels. The Committee desired that the final decision should be reported to them next year.

In reply to a question by a member of the Committee, the Chairman explained how it was in the public interest that the Bengal Pilot Service, which had always been a Government service, should continue on the same footing.

It was noted that the Bengal Pilot Service was run on a self-supporting basis, and had, in fact, considerable accumulated funds, which the Committee regarded as extremely satisfactory.

94. In order to know how far the expenditure on Ports and Pilotage was covered by fees, the Committee desired that a statement should be included in the Appropriation Accounts, indicating the total receipts as against the expenditure under this head, excluding the items relating to the " Dufferin " and the grant-in-aid to the Vizagapatam Port.

The Committee were gratified to learn that practically all the qualified cadets of the " Dufferin " had found employment.

95. The accounts relating to Grants Nos. 46.—Industries, 52.—Commercial Intelligence and Statistics and 56.—Joint Stock Companies were next examined. In respect of the excess of Rs. 44 under the last head, the Committee recommended that an excess grant should be voted by the Assembly.

96. *Grant No. 57.—Miscellaneous Departments.*—The income and expenditure account of the scheme for the registration of Accountants was examined. The deficit of over Rs. 6,000 in 1937-38 was stated to be due to special circumstances in that year. It was hoped that the institution which aimed at becoming a self-governing body, would be placed on a self-supporting basis in the near future.

The Committee adjourned till 2-45 P.M.

Proceedings of the nineteenth meeting of the Public Accounts Committee held on Thursday, the 24th August 1939, at 11 a.m.

PRESENT

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member. *Chairman.*

Bhai PARMA NAND.
Mr. J. RAMSAY SCOTT
Maulvi MOHAMMAD ABDUL GHANI
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E. } *Members*

Mr. S. A. LAL, Deputy Secretary, Legislative Department.
Mian MUHAMMAD RAFI, Secretary, Legislative Assembly Department } *Witnesses*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

50. The accounts relating to the Legislative, Legislative Assembly and Defence Departments were examined. In connection with the Legislative Assembly Department, the Committee were informed that the question raised last year about the reorganization of the Department on the lines of a vacation department, had been examined by the Economy Committee. In consideration of the views of the Hon'ble the President of the Legislative Assembly, it was decided not to press the matter further but to accept for the present economies amounting to Rs. 10,800, offered as a temporary measure, in the budget for 1939-40.

Another question that had been raised last year, was the position of the Legislative Assembly Department in regard to expenditure proposals and budget procedure. The Chairman explained the procedure which differed in no essential respect from that followed in regard to other Departments. The Committee expressed their satisfaction with the position.

51. *Paragraph 32 of the Audit Report.*—The attention of the Committee was drawn to the fact that the excess of Rs. 27 under Grant No. 81-Ajmer-Merwara in the Accounts for 1936-37, which had been recommended by the Public Accounts Committee last year for the vote of the Assembly, had not been approved by the Assembly. The Committee again made a recommendation to the Legislative Assembly to regularise formally by their vote this trivial excess.

52. A member of the Committee pressed for the establishment of an Estimates Committee in place of the Standing Finance Committee

6. *Defence Reserve Fund.*—We are of the opinion that the justification for the continuance of the Defence Reserve Fund on the basis on which it has been maintained hitherto, appears to have ceased, and that the question of continuing any such device in future should require separate justification.

7. We desire to place on record our indebtedness to the Auditor General for the valuable assistance given to us in our examination of these accounts.

A. J. RAISMAN.

C. E. JONES.

MOHAMADALI,
Secretary.
2nd September, 1939.

Proceedings of the first meeting of the Military Accounts Committee held on Wednesday, the 9th August 1939, at 11 A.M.

PRESENT

The Hon'ble Sir JEREMY RAISMAN, C S I, C I E, I C S, Finance Member, *Chairman.*

Mr. S SATYAMURTI. Mr. B DAS The Hon'ble Mr. C E JONES, C I E, I C S, Finance Secretary	*Members*
Mr. C. M. G. OGILVIE, C.B E., I C S, Secretary, Defence Department Mr. E. T. COATES, C I.E, I C.S, Financial Adviser, Military Finance Mr. M. R COBURN, C.I.E, O.B E, Military Accountant General Mr. V. NATESAN, Deputy Financial Adviser, Military Finance Sir ERNEST BURDON, K.C.I E, C S I, I.C S, Auditor General Mr W. R TENNANT, I C.S, Director of Audit, Defence Services.	*Witnesses*

The Committee first considered the military items in the statement (Appendix I) showing action taken or proposed to be taken on the recommendations made by them in previous years

2 *Item 41—Allocation of Ecclesiastical expenditure*—In connection with the note (Appendix XII) on this subject, it was stated that the question of applying the results of the census of entitled persons to the actual distribution of the charges between Civil, Defence and Railways was under consideration. In view, however, of the difficult and involved nature of the question, it was not possible to give an assurance that it would be finally settled during the current year The Committee trusted that every effort would be made to give effect to the revised allocation in the next year's budget.

3 *Item 42—Revision of the Army Regulations*—With reference to the report (Appendix XIII) submitted on the subject, the Defence Secretary stated that the work was progressing satisfactorily The regulations mentioned in paragraph (*a*) of the report, the revision of which had been completed last year, had already been published, and it was oped to publish, before the end of this year, the Pension Regulations, to hich the approval of the Secretary of State had been received The uditor General expressed his satisfaction with the arrangement, shortly be introduced, under which all work relating to the Financial Regulans will be done under the expert direction of the Military Finance anch. This change will ensure not only that the work will be conrably expedited, but also that it will be more conclusive because of the

arrangement, similar to that on the civil side, of concurrent consultation with the Director of Audit, Defence Services. The Chairman stated that, in order to introduce this scheme, an additional expenditure of Rs. 40,000 had been sanctioned. The Committee welcomed the efforts made to speed up the work and desired that a report on the progress of the work should be submitted next year.

4. *Item 43.—Scheme for the interchange of Accountants of the Public Works Department and of the Military Engineer Services.*—On the recommendation of the Auditor General, the Committee decided that the scheme mentioned above should be terminated. The experiment had served its purpose and nothing of value would be gained by its further continuation. Both the Auditor General and the Financial Adviser, Military Finance, were satisfied that the Accountants of the Military Engineering Services were reasonably efficient and not inferior in quality to those of the Public Works Department.

5. *Item 44.—Overstocking of R. A. F. Stores.*—The review of the Director of Audit, Defence Services (Appendix XIV) on the report of the Air Officer Commanding, regarding the progress made in the review of R. A. F. stocks in relation to the prescribed stock limits, led to a considerable discussion. The Committee were gratified to learn that the unsatisfactory conditions prevailing some years ago—perhaps inevitable in the early days of a new service—had ended ; that the accounts were now in a greatly improved state ; and that provisioning was being carried out in accordance with correct principles and on some exact basis. The Committee accepted the view that the annual reviews of stock were impracticable ; and that the future reviews, like the present one, would be biennial. On the assurance of the Auditor General that a watch over any tendency to overstock might be left to the ordinary duties of audit, the Committee decided to dispose of this item finally.

As regards the disposal of surplus stores, the Committee were informed that elaborate enquiries were at present made in order to find out possible purchasers for stores among the civil departments and other authorities. The Committee, however, commended the last sentence of the review by the Director of Audit, Defence Services, namely, that " the possibility of speedier disposals of redundant (and therefore depreciating) stores seems to merit consideration " to the attention of the Defence Department.

6. *Item 46.—Improvements in the processes of estimating now in force for the Defence Services.*—The Committee went at length into the budgetary procedure outlined in the Memorandum (Appendix XV) on the subject. A member of the Committee put forward the suggestion that at the time of scrutinizing the budget estimates, the Military Finance Branch should keep a special watch over possible economies. It was explained that this was done as a normal process. The Chairman stated that because of the increasing new demands of the Defence Services and the limited amount of money available, the incentive for economy in standing charges was perhaps greater on the military side than on the civil. The Committee were satisfied that a rigorous financial control was being exercised, but desired that a report should be submitted next year on the result of the reduction and simplification of budget headings referred to in the last sentence of the Memorandum.

7. *Item 48.—Percentage of establishment charges in the Military Engineer Services.*—The report (Appendix XVI) on this subject was next subjected to an examination. A member of the Committee desired to know the extra cost attributable to the fact that the Military Engineering establishment was not determined solely by the requirements of peace time work. It was explained that it was impossible to work it out with any accuracy as the Military Engineer Service was not strictly comparable with an organization in which the establishment was kept only for a definite programme of work. In regard to the rather high percentage of establishment charges, the Auditor General explained that apart from the factors mentioned in the report submitted on the subject, there were a few others requiring mention, such as the institution of the cadre of Surveyors of Works and the Quetta Reconstruction requiring a bigger establishment during the initial stages. It was hoped, however, that the creation of the cadre of Surveyors of Works would ultimately lead to economy in the cost of works. The Committee felt that even after making full allowance for the various factors mentioned, there was scope for further economies, and recommended that the Defence Department should make an endeavour to reduce the percentage of establishment charges. The ratio should be reported upon annually, clearly irrelevant factors being discounted and the calculation of the ratio being made on the same basis as that made by the Accountant General, Central Revenues, in respect of Central Public Works Department Establishment charges.

8. *Item 49.—Surveyors of Works.*—The Committee desired further information regarding the shortage in the cadre of Surveyors of Works mentioned in the report (Appendix XVII) of the Director of Audit, Defence Services. The Financial Adviser, Military Finance, undertook to supply the information at a later meeting.

9. *Item 50.—Defence Reserve Fund.*—In connection with the report (Appendix XVIII) on the Defence Reserve Fund, the question was raised whether the Fund could continue to play the same role in the Defence Services budget as it used to in the past. After some discussion the Committee came to the conclusion that the justification for the continuance of the Defence Services Reserve Fund on the basis on which it had been maintained in recent years, appeared to have ceased, and that the question of continuing any such device in future would require separate justification.

10. *Item 51.—Military Grass Farms.*—The Committee agreed with the conclusion in the report (Appendix XIX) on the subject that, because of the progressive mechanization of the army in India and the consequent reduction in the requirements of the fodder, a scheme for expanding Military Grass Farms could not profitably be embarked upon.

11. *Item 52.—Dairy Farms.*—After considering the report (Appendix XX) on the subject, the Committee were satisfied that the produce of the Dairy Farms was not being sold to the troops unduly cheaply. A member of the Committee raised the question that the rates charged to the civilian purchasers should be the full market rates. But it was explained that it was only the casual surplus which was sold to civilians, and that the financial effect of the proposal would be insignificant.

12. *Item 53.—Revision of the forms of accounts of the Medical Stores Depots.*—In connection with the report (Appendix XXI) on the above

subject, the Auditor General stated that the accounts of these Depots had greatly improved in the past 5 or 6 years ; and that they now showed the financial position from every point of view very clearly. The Committee desired that a report should be submitted to them on the results of the review of the present organization of the Medical Stores Depots which is now under consideration by a departmental committee.

13. *Item 54.—Clothing Factory.*—The Committee accepted the conclusion in the report (Appendix XXII) on the above subject.

The Committee adjourned till 2-30 P.M.

Proceedings of the second meeting of the Military Accounts Committee held on Wednesday, the 9th August 1939, at 2-30 P.M.

PRESENT

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Mr. S. SATYAMURTI.
Mr. B. DAS.
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.
Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department. } *Members*

Mr. E. T. COATES, C.I.E., I.C.S., Financial Adviser, Military Finance.
Mr. M. R. COBURN, C.I.E., O.B.E., Military Accountant General.
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General. } *Witnesses*

Mr. W. R. TENNANT, I.C.S., Director of Audit, Defence Services.

14. The Committee took up the consideration of the Report of the Director of Audit, Defence Services.

15. *Paragraph 5, read with paragraphs 3, 7 and 8 of the Appropriation Report.*—In the course of the examination of the variations between the original budget estimates and the actuals for the year 1937-38, the Committee noticed that one of the factors contributing to the excess over the original budget provision was the application to British troops in India of certain concessions sanctioned by His Majesty's Government to all British troops in the middle of the year. It was explained that the Government of India had already made representations to His Majesty's Government regarding the need for giving adequate notice in such cases. The Committee endorsed the attitude of the Government of India in this matter.

The Committee noted that, with effect from the year 1938-39, the Defence Services were not entitled to get a refund of the excise duty on petrol consumed by them.

16. *Paragraph 12.*—The Director of Audit, Defence Services stated that orders for improving the machinery for the collection of data to facilitate more accurate revised estimating in respect of Head 3-D had been issued.

17. *Paragraph 13.*—In regard to the wide variations between the modified appropriation and the actual expenditure under the minor heads of sub-head 5-A-Royal Indian Army Service Corps, it was explained that the variation in this year should be viewed as an individual lapse due to the exceptional circumstances arising from the Waziristan Operations.

18. *Paragraph 16.*—In connection with the mistakes mentioned in the Audit Report, the Auditor General pointed out that some years ago, on the recommendation of the Public Accounts Committee, orders had been issued that the Appropriation Accounts and the Audit Report thereon should be studied very carefully by the officers responsible for controlling grants or controlling any financial operations. These orders, which are scrupulously observed in practice, have a salutary effect.

19. *Financial irregularities.—Paragraphs 21 to 25.*—The Committee agreed that no further action was required with regard to the items mentioned in these paragraphs ; but in the case mentioned in paragraph 23, regarding the unauthorized renewal of a tennis court, the Committee desired to record their view that the transaction was gravely irregular.

20. *Review of expenditure on the Military Engineer Services.*—The Committee examined at great length the expenditure on the Military Engineer Services and expressed their appreciation of the extremely useful review of this expenditure in the Appropriation Accounts. The Auditor General stated that some years ago, fairly large diversions from the original programme of works were a normal feature ; but that a very considerable measure of improvement had now taken place. A member of the Committee drew attention to the fact that the amount of lapses had been increasing year by year. This led to a lengthy discussion, in the course of which the Financial Adviser, Military Finance, explained that the cause of the large lapses was to be found in the system of automatic regrants which had resulted in preventing the rush of expenditure in March. Looked at in that light, the lapses reflected better control of expenditure. The Committee, however, desired to know whether there had been any improvement in this respect in 1938-39, and the Financial Adviser, Military Finance, undertook to supply the information at the next meeting. The Committee ended by endorsing the opinion of the Auditor General that, tested in the light of experience, the system of automatic regrants had proved to be beneficial.

The Committee noted that, when the system of making allotments only to those works which had been properly considered and previously accepted, had been in operation for a year or two longer, the necessity for deviating from the original programme would be limited to cases of extreme urgency, which could not possibly be foreseen at the time of framing the budget estimates.

21. The Committee then went through Appendix I of the Appropriation Accounts in great detail. One aspect of the matter—namely, the exclusion from the Appendix of cases in which the whole amount originally granted for a specific purpose was withdrawn on account of the execution of the work having been postponed or abandoned as a result of military policy—was left over for discussion at the next meeting.

The discussion on the review of the Military Engineer Services was wound up by the Committee making the following recommendations :—

(1) The inclusion in works estimates of a substantial margin for possible omissions and unforeseen items of expenditure is to be deprecated ; the estimates should approximate more closely to actual requirements.

(2) Recoveries on account of rent, water and electricity should be made within the time allowed, *vide* paragraph 104 of the Appropriation Report.

(3) Special effort[illegible] as [illegible] thei[illegible]

The Committ[illegible] [illegible]journed till 11 A.M next day.

18. *Paragraph 16.*—In connection with the mistakes mentioned in the Audit Report, the Auditor General pointed out that some years ago, on the recommendation of the Public Accounts Committee, orders had been issued that the Appropriation Accounts and the Audit Report thereon should be studied very carefully by the officers responsible for controlling grants or controlling any financial operations. These orders, which are scrupulously observed in practice, have a salutary effect.

19. *Financial irregularities.—Paragraphs 21 to 29.*—The Committee agreed that no further action was required with regard to the items mentioned in these paragraphs; but in the case mentioned in paragraph 28, regarding the unauthorized renewal of a tennis court, the Committee desired to record their view that the transaction was gravely irregular.

20. *Review of expenditure on the Military Engineer Services.*—The Committee examined at great length the expenditure on the Military Engineer Services and expressed their appreciation of the extremely useful review of this expenditure in the Appropriation Accounts. The Auditor General stated that some years ago, fairly large diversions from the original programme of works were a normal feature; but that a very considerable measure of improvement had now taken place. A member of the Committee drew attention to the fact that the amount of lapses had been increasing year by year. This led to a lengthy discussion, in the course of which the Financial Adviser, Military Finance, explained that the cause of the large lapses was to be found in the system of automatic regrants which had resulted in preventing the rush of expenditure in March. Looked at in that light, the lapses reflected better control of expenditure. The Committee, however, desired to know whether there had been any improvement in this respect in 1938-39, and the Financial Adviser, Military Finance, undertook to supply the information at the next meeting. The Committee ended by endorsing the opinion of the Auditor General that, tested in the light of experience, the system of automatic regrants had proved to be beneficial.

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(1) The inclusion in works estimates of a substantial margin for possible omissions and unforeseen items of expenditure is to be deprecated; the estimates should approximate more closely to actual requirements.

(2) Recoveries on account of rent, water and electricity should be made within the time allowed, *vide* paragraph 104 of the Appropriation Report.

(3) Special efforts should be made to see that there is as little delay as possible in the payment of contractors' bills, including their final bills

The Committee adjourned till 11 A.M. next day.

Proceedings of the third meeting of the Military Accounts Committee held on Thursday, the 10th August 1939, at 11 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman.*

Mr. S. SATYAMURTI.
Mr. B. DAS.
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.
} *Members.*

Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.
Mr. E. T. COATES, C.I.E., I.C.S., Financial Adviser, Military Finance.
Mr. M. R. COBURN, C.I.E., O.B.E., Military Accountant General.
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.
} *Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. W. R. TENNANT, I.C.S., Director of Audit, Defence Services.

22. As desired by the Committee, the Financial Adviser, Military Finance, gave the necessary information regarding the shortage in the cadre of Surveyors of Works. It was explained that quantity-surveying was a very technical and specialized business, requiring a period of over 5 years for training. 48 Indians had been recruited as Grade I and Grade II Assistants and were being trained for ultimate employment as Surveyors of Works after they had passed the Chartered Surveyors' Institute's Examination and gained the necessary experience. The Committee regarded the position as satisfactory.

23. As regards the amount of lapsed provision for works in 1938-39, which the Committee had desired to know, it was reported that the lapse was Rs. 19 lakhs, out of which Rs. 12 lakhs were for regrants and only Rs. 7 lakhs represented a genuine lapse. There was thus a considerable improvement over the results of 1937-38 when the lapse amounted to 31 lakhs.

24. The next question taken up was the exclusion from Appendix I of the Appropriation Accounts of cases in which the whole amount previously granted for a specific purpose was withdrawn on account of the execution of the works having been postponed or abandoned as a result of military policy. After some discussion it was decided that the total number and total cost of such works should be shown in Appendix I along with the details of works over Rs. 50,000. Moreover, the Director of Audit, Defence Services, will draw attention to any other cases which, in his opinion, should be brought to the notice of the Committee.

25. The Committee then resumed the consideration of the Audit Report. In connection with the audit of Stores and Supply Accounts, a member of the Committee drew attention to the fact that certain military authorities had placed indents with the Indian Stores Department, London, for ridiculously small amounts. The Financial Adviser, Military Finance, made a special note of the point

26. *Paragraph 40.—Faultily expressed rules or orders*—It was explained that the Financial Adviser, Military Finance, had recently issued orders greatly improving the drafts of new orders as well as the revision of the old one; and that the Director of Audit, Defence Services, was now being associated with the drafting.

Appropriation Accounts.

27. *Paragraph 61.—Excess under the heads (h) and (i), Central Revision Section and Director of Regulations and Forms.*—The Defence Secretary stated that detailed instructions had been issued to take account of all commitments so as to avoid excesses on account of belated debits from the Civil Department.

28 *Paragraph 133.*—The Financial Adviser, Military Finance, informed the Committee that, in future, transfers to and from the Equalisation Funds would be shown clearly in the budget estimates

29. *Appendix C.*—The Committee considered that this Appendix might be dropped.

30. *Appendix F.*—With regard to the remark in paragraph 1 of the Appendix that private treaty sales as a normal arrangement had been discontinued in respect of all except important commodities such as metals, machinery, gunny bags, etc., the Committee considered that any departure from the procedure of sales by auction should require special justification

Commercial Appendix.

31. *Medical Stores Depots*—The Committee noted with satisfaction that the loss on the working of the Depots had gone down considerably in 1937-38, as compared with previous years It was hoped that it might be further reduced as a result of the report of the Committee appointed to examine the present organization of the Depots.

The Committee adjourned at 1-30 P.M.

APPENDIX I.

Statement showing action taken or proposed to be taken on recommendations made by the Central Public Accounts Committee.

PART I.—Civil, Posts and Telegraphs, and Defence Services.

Statement showing action taken or proposed to be taken on recom

PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Education, Health and Lands Department.
1	1935-36 1936-37	10-R. and 7-P. 1-P.	That the conference proposed to be held between representatives of the Education, Health and Lands and Defence Departments should seriously consider whether the transfer of work connected with the Army from the Mathematical Instrument Office is in the interests of India as a whole.
2	1935-36 1936-37	5-P. 3-P.	That the efforts to increase the sales of Maps of the Map Record and Issue Office should be vigorously pursued and a further report on the results achieved should be submitted next year.
3	1935-36 1936-37	8-P. 5-P.	That a further report on the question of the necessity for retaining the post of Director of the Botanical Survey should be submitted next year.
4	1936-37	2-P.	That it should be made known through the Provincial Governments that the Mathematical Instrument Office is prepared to undertake work for educational institutions and local bodies.
5	1936-37	9-P.	That a decision should be reached before next year as regards the centralising of dairy farm research or, if no decision has been come to, the question of terminating the contract for the Wellington Milk Depot with the military authorities should be independently taken up.
6	1936-37	10-P.	That the question of handing over the Kidderpore Orphanganj Market to the Committee that runs the Orphanage should be examined.
7	1936-37	7-R. and 13-P.	That the Imperial Council of Agricultural Research should be allowed to undertake commitments with regard to research schemes in expectation of receiving their annual grant for a period of one or possibly even two years ahead.
8	1936-37	13-P.	That the explanation for the research schemes given in the Report of the Imperial Council of Agricultural Research should be expanded so as to indicate the expenditure incurred up-to-date.

mendations made by the Central Public Accounts Committee.

graphs, and Defence Services.

Action taken or proposed to be taken.
As a result of discussions between the Surveyor General and the M. G. O Branch, the latter are prepared to place with the Mathematical Instrument Office orders for manufacture of articles which the Army is unable to manufacture provided the prices and the quality offered by the M. I. O. compare favourably with those of other sources of supply. Further discussions to settle matters of details are in progress, and the possibility of reduction in M. I. O. prices is also under examination.
Further efforts were made by the Surveyor General to increase sales of maps through (1) advertisements, (2) personal contacts, (3) reduction in prices of maps, (4) agencies and (5) office organisation. A note explaining the results of these measures was considered by the Committee (Appendix III).
It was explained to the Committee that the post of the Director was vacant. [illegible]
All the Provincial Government and Minor Administrations have been addressed in the matter as suggested. Lists of instruments which can be supplied or manufactured by the Mathematical Instrument Office have also been forwarded to them.
The Committee was informed that the question of terminating the contract for the Wellington Milk Depot with the military authorities was under examination.
The Committee considered the note furnished on the subject (Appendix IV) and agreed that the Central Government should retain this property.
The Imperial Council of Agricultural Research has already adopted the practice of provisionally allocating funds one year ahead, the allocation to be confirmed when the annual grant is voted by the Legislative Assembly.
A statement will be added to the Annual Report of the I C.A.R. with effect from its next issue, which will indicate the expenditure incurred up-to-date.

Statement showing action taken or proposed to be taken on recom

PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Finance Department.
9	1935-36 1936-37	5-R. . . . 4-R.	That the imposition of lump sum cuts may usefully be extended in a limited number of grants to cases where it has been found that there are savings year after year under particular sub-heads.
10	1935-36 1936-37	5-R. . . . 17-P. and 22-P. 4-R. and 20-P.	That larger units of appropriation both for budgeting and appropriation report purposes should be devised in a limited number of Grants as an experiment to see if it would not lead to more accurate estimating and indeed to economy.
11	1935-36 1936-37	9-P. . . . 22-P.	That so far as the personnel under the control of the Government of India was concerned, the Finance Department should independently examine the position with regard to the recovery of money due from an officer on pension.
12	1935-36	110-P. . . .	That Grant No. 76—Miscellaneous should, if possible, be re-arranged in order to bring together the items relating to each Department.
13	1935-36 1936-37	9-R. . . . and 43-P. 74-P.	That a report should be submitted next year on the question of the transfer of the agency functions at present performed by the India Office to the High Commissioner for India.
14	1936-37	25-P. . . .	That the justification for the provision of a lump sum reserve for unforeseen charges on account of the Security Printing Press should be examined.
15	1936-37	71-P. . . .	That a note should be furnished to the Committee next year on the question whether the old debit balance in the 'Purchases and Sales of Silver Account, should not be written off to Government account.
16	1936-37	75-P. . . .	That as savings had occurred in the Grant for 'Loans and Advances bearing interest' for a series of years, the necessity for a Reserve of Rs. 10 lakhs provided in the Grant should be examined.
17	1936-37	87-P. . . .	That the legal position and the possibility of publishing the Appropriation Accounts as soon as they are available without waiting for them to be laid more than formally before the Legislature should be examined.

mendations made by the Central Public Accounts Committee—contd.

graphs, and Defence Services—*contd.*

Action taken or proposed to be taken
Lump cuts for probable savings are being made in all grants under particular sub-heads where it is found that there have been savings from year to year.
The experiment is being tried in Grants Nos. 4, 28, 41, 60 and 63 in the estimates for 1939-40.
The Central Government have after careful consideration framed a rule providing in certain circumstances for recovery from an officer's pension of the amount [illegible] judicial or departmental proceedings [illegible]
The [illegible] has been recast in the budget for 1939-40.
The question was examined in England last summer by Sir Ernest Burdon on behalf of the Government of India. After a thorough [illegible] clusion, which the [illegible] for any [illegible] their [illegible]
The justifi[illegible] provision of a lump sum reserve has been examined. It is considered desirable to retain this sub-head to provide for the incidence of unforeseen demands for the products of the Press and for fluctuations in the prices of raw materials. The Committee agreed that the reserve provided the necessary element of elasticity in meeting the demands for the products of the Press.
The Committee agreed with the [illegible]
The Committee considered the note furnished on the subject (*Appendix VI*) and accepted the necessity for the reserve.
It has been decided to publish the Appropriation Accounts and the Audit Reports thereon as soon as they have been laid on the table of the Legislature.

Statement showing action taken or proposed to be taken on recom

PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Auditor General.
18	1936-37	83-P . . .	That in future the Auditor General should elaborate the note on the receipts and expenditure of Delhi Province appearing below the Appropriation Account for the Delhi Grant.
			Central Board of Revenues.
19	1936-37	29-P . . .	That the question of extending the scope of the audit of customs receipts should be further explored and a report submitted next year.
20	1936-37	32-P . . .	That the classification of the payments of Customs revenue to the Cochin and Travancore Governments under the Cochin Port agreement should be re-examined to see if they should not be treated as a charge on revenue instead of being included as expenditure.
21	1936-37	33-P . . .	That the results of the experiment to be made in the audit of Income-tax receipts should be intimated to the Committee next year.
			Communications Department.
22	1935-36 1936-37	12-R and 111-P. . . . 8-R and 41-P. . . .	That while neither the question of closing Vizagapatam Port nor that of handing it over to the Bengal Nagpur Railway need be pursued for the present, every effort should be made by keeping the expenditure at the lowest possible level to provide for at any rate a part payment of the interest due on the capital invested in the Port. The question whether full provision for depreciation was being made should also be considered and a report on this point should be submitted next year.
23	1936-37	37-P . .	That the amount available from the tax on pertol consumed for aviation purposes for expenditure on grants-in-aid should be voted to a special earmarked item in the Road Fund and allotted from this Fund as required.
			Labour Department.
24	1936-37	6-R . . .	That in the case of large capital projects requiring a number of years for completion, the possibility of devising a procedure, under which the required sum may be provided in a fund from which expenditure can be met as the work progresses, should be considered with a view to avoiding the difficulties of grants and lapses.

mendations made by the Central Public Accounts Committee—contd.

graphs, and Defence Services—*contd.*

Action taken or proposed to be taken.

This has been done in the Appropriation Accounts for 1937-38.

The Auditor General explained the working of the present system of audit of *customs* revenue under which the scope and *functions* of audit had been clearly defined on the same principles as were in force in England The Committee agreed with the Auditor General that no extension of the scope was justified

The quest on has been ... [illegible] ... that the payments of ... [illegible] ...nts under the Cochin Port ... [illegible] ... the revenue for the year ... [illegible]

The Auditor General explained that the experiment had been conducted and as a result he was convinced—and the Committee accepted his conclusion—that it was inadvisable to undertake the audit of Income tax *receipts.*

[illegible] ... Fund by over Rs 60,000

The Committee's ... [illegible]

The possibilities will be considered when further large capital works are to be undertaken in future

Statement showing action taken or proposed to be taken on recom

PART I.—Civil. Posts and Tele

Serial No.	Year of Report	Paragraph of the Report or Proceedings.	Recommendations.
			Public Department—contd.
25	1936-37	42-P	That the greatest possible foresight should be exercised in the preparation of the original estimates for civil works.
26	1935-36 1936-37	6-R 69-P and 116-P. 43-P.	That a further report be submitted next year on the question of the justification for the staff employed in the Central Public Works Department. [illegible]
27	1936-37	46-P	That [illegible] in the Appropriation [illegible] should [illegible] be determined after including the [illegible] the Central Public Works Department.
28	1936-37	48-P	That [illegible] from the sub-head "[illegible] repairs" in the Civil Works Grant should be restricted to [illegible] unforeseen at the [illegible]
29	1936-37	49-P	That [illegible] distribution [illegible] allocated to [illegible] of levying [illegible] should be [illegible] Provincial Governments [illegible]
30	1936-37	50-P	That [illegible] of the Civil Works Grant should be [illegible] for the purpose of [illegible] with a view to re[illegible] of budgeting and for [illegible] the responsibility for defective [illegible] between the P. W. D. and the other Departments concerned.
31	1934-35 1935-36 1936-37	18-P 11-R and 55-P 51-P.	That the consideration of the question of amalgamating the Hastings Street and Dharamtala Presses should be expedited and a report submitted next year.
32	1936-37	54-P	That the question should be considered whether unwanted publications that cannot be kept in stock in the Central Publication Branch should not be distributed free or at half price rather than destroyed.

mendations made by the Central Public Accounts Committee—contd.

graphs, and Defence Services—*contd.*

Action taken or proposed to be taken
Noted
A report on the subject is enclosed (*Appendix VIII*).
This has been done.
The [illegible]
The only [illegible]
The recommendations have been given effect to with respect to the Civil Works Grant
The financial effect of the [illegible] produced [illegible] penditure [illegible] efficiency. Savings [illegible] connection [illegible] improved.
The rules as regards surplus publica[illegible] that such publications may, be [illegible] Universities, Public Libraries an[illegible] Legislature for their individual [illegible] charges. It is further provided [illegible] provincial publications may, bef[illegible] be offered to the public at reduc[illegible]

mendations made by the Central Public Accounts Committee—contd.

graphs, and Defence Services —*contd*

Action taken or proposed to be taken.
A note on the subject was furnished to the Committee (*Appendix XII*)
A report was submitted to the Committee (*Appendix XIII*)
On the recommendation of the Auditor General, the Committee decided that the scheme should be terminated
The Committee considered the review (*Appendix XIV*) of the Director of Audit, Defence Services on the Report of the Air Officer Commanding The Committee was gratified at the improved state of affairs and decided to leave to audit to watch any tendency to overstock.
The recommendation of the Committee has been brought to the notice of the administrative authorities and has been given effect to.

Statement showing action taken or proposed to be taken on recom

PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Defence Services.
41	1926-27 1928-29 1929-30 1933-34 1934-35 1935-36 1936-37	25-R. . . . 91-P. 118-P. 36-P. 20-P. 57-P. 2-P. (Mily.).	That all possible steps should be taken to finally settle the question of the allocation of ecclesiastical expenditure this year.
42	1930-31 1931-32 1932-33 1933-34 1934-35 1935-36 1936-37	1-R. 3-R. 2-P. 4-R. 3-R. and 2-P. 2-R. and 2-P. 2-R. and 3-P. } Military Accounts Committee.	That a further report on the progress made in revising the Army Regulations should be submitted next year.
43	1932-33 1933-34 1935-36 1936-37	33-P. 11-P. 3-P. 4-P. } Military Accounts Committee.	That the scheme for the interchange of Accountants of the Public Works Department and of the Military Engineer Services should be continued for another year when a further report should be submitted, and that meanwhile the Auditor General and the Financial Adviser should consider whether improvements could not be made in the selection of personnel of Public Works Accountants.
44	1934-35 1935-36 1936-37	18-P. and 19-P. 18-P. 2-R. and 5-P. } Military Accounts. Committee.	That the Air Officer Commanding should next year give a full report of the progress made in view of R. A. F. stocks in relation to the prescribed stock limits, with statistics of the amounts declared surplus or obsolete and of the progress made in disposing of them ; and with this report should be submitted a review by the Director of Audit, Defence Services.
45	1936-37	14-P. { Military Accounts Committee.	That as regards Quetta Reconstruction the specific sanction of the Finance Department should in future be obtained for the construction of each item in the unauthorised list though these were included in the project estimate approved by the Government of India.

mendations made by the Central Public Accounts Committee—contd.

graphs, and Defence Services —*contd*

Action taken or proposed to be taken
A note on the subject was furnished to the Committee (*Appendix XII*)
A report was submitted to the Committee (*Appendix XIII*)
On the recommendation of the Auditor General, the Committee decided that the scheme should be terminated
The Committee considered the review (*Appendix XIV*) of the Director of Audit, Defence Services on the Report of the Air Officer Commanding The Committee was gratified at the improved state of affairs and decided to leave to audit to watch any tendency to over-stock
The recommendation of the Committee has been brought to the notice of the administrative authorities and has been given effect to.

Statement showing action taken or proposed to be taken on recom

PART I.—Civil Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			Defence Services—contd.
46	1936-37	4-R. and 15-P. Military Accounts Committee.	That the Financial Adviser, Military Finance should prepare a memorandum on the processes of estimating now in force for the Defence Services and the improvements that might be made in the system.
47	1936-37	16-P. Military Accounts Committee.	That a larger lump sum cut on the basis of the average underspendings of previous years should be made under 'Pay of Officers' in Head I.—Defence Services.
48	1936-37	25-P. Military Accounts Committee.	That the percentage of establishment charges in the Military Engineer Services, which had remained in the neighbourhood of 24 for the last three years, was *prima facie* excessive and called for investigation and report next year.
49	1936-37	26-P. Military Accounts Committee.	That the Director of Audit, Defence Services, should submit a report next year on the distribution of responsibility for internal check consequent on the introduction of the specialist cadre of Surveyors of Works.
50	1936-37	6-R. and 29-P. Military Accounts Committee.	That a review of the Defence Reserve Fund as a method of financing expenditure from Defence Estimates should now be undertaken and a report on the subject submitted next year.
51	1936-37	33-P. Military Accounts Committee.	That the question whether the system of Military Grass Farms could not be profitably extended should be examined and a report submitted next year.
52	1936-37	34-P. Military Accounts Committee.	That it should be examined whether the produce of Dairy Farms was not being sold to the troops unduly cheaply and a report should be furnished next year.
53	1936-37	35-P. Military Accounts Committee.	That the form of accounts designed to show the net effect of the activities of the Medical Store Depots in connection with supplies and services rendered on payment to civil institutions should be settled in the course of the year.
54	1936-37	36-P. Military Accounts Committee.	That the Financial Adviser, Military Finance, should submit a report next year on the possibility of testing the actual profit made by the Clothing Factory as against the open market.

mendations made by the Central Public Accounts Committee—contd

graphs, and Defence Services—*contd.*

Action taken or proposed to be taken
A memorandum was submitted to the Committee (*Appendix XV*)
The Committee's recommendation is noted and steps have been taken to frame more accurate estimates under Head 1—Pay of Officers
A report was submitted to the Committee (*Appendix XVI*)
A report was submitted (*Appendix XVII*)
The Committee considered the Report furnished on the subject (*Appendix XVIII*)
The Committee considered the report furnished on the subject (*Appendix XIX*) and agreed that consequent on progressive mechanisation of the Army in India a scheme for expanding the Military Grass Farms could not profitably be embarked upon.
After considering the report on the subject (*Appendix XX*) the Committee were satisfied that the produce of the Dairy Farms was not being sold to the troops unduly cheaply
A report on the subject was submitted to the Committee (*Appendix XXI*)
The Committee accepted the conclusion in the report submitted on the subject (*Appendix XXII*).

APPENDIX II.

Statement comparing expenditure with grants for 1937-38.

Number and name of Grant or Appropriation.		Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
				Less than granted.	More than granted.
		Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.					
A.—EXPENDITURE CHARGED TO REVENUE.					
1. Customs :					
	Voted	82,22,000	82,08,870	13,130	..
	Non-voted	*27,07,288*	*27,11,501*	..	*4,213*
2. Central Excise Duties :					
	Voted	8,48,000	8,37,967	10,033	..
	Non-vtced	*7,000*	*8,220*	..	*1,220*
3. Taxes on Income including Corporation Tax :					
	Voted	74,52,000	74,33,412	18,588	..
	Non-voted	*95,402*	*92,440*	*2,962*	..
4. Salt :					
	Voted	63,41,000	59,70,363	3,70,637	..
	Non-voted	*43,45,910*	*43,43,522*	*2,388*	..
5. Opium :					
	Voted	23,90,000	22,83,375	1,06,625	..
	Non-voted	*1,65,371*	*1,65,051*	*320*	..
6. Provincial Excise :					
	Voted	2,26,000	2,20,852	5,148	..
	Non-voted	*42,013*	*41,949*	*64*	..
7. Stamps :					
	Voted	15,31,000	15,23,074	7,926	..
	Non-voted	*1,99,516*	*2,01,133*	..	*1,617*
8. Forest :					
	Voted	5,72,000	5,59,279	12,721	..
	Non-voted	*2,17,011*	*2,13,659*	*3,352*	..
9. Irrigation, (including working expenses), Navigation, Embankment and Drainage Works :					
	Voted	4,29,000	3,72,672	56,328	..
	Non-voted	*10,18,230*	*10,01,838*	*16,392*	..
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :					
	Voted	93,67,000	93,58,938	8,062	..
	Non-voted	*14,01,11,000*	*14,06,35,576*	..	*5,24,576*
12. Executive Council :					
	Voted	1,18,699	1,19,054	..	355
	Non-voted	*5,18,345*	*5,17,656*	*689*	..

Statement comparing expenditure with grants for 1937-38—contd

Number and name of Grant or Appropriation	Final Grant or Appropriation.	Expenditure	Expenditure as compared with Grant or Appropriation. Less than granted	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd*				
13. Council of State :				
Voted	1,63,000	1,60,517	2,483	..
Non-voted	*1,400*	*1,335*	*65*	..
14. Legislative Assembly and Legislative Assembly Department :				
Voted	8,09,000	8,03,240	5,760	..
Non-voted	*69,912*	*72,222*	..	*2,310*
15. Home Department :				
Voted	8,52,000	8,51,798	202	..
Non-voted	*20,75,210*	*20,63,847*	*11,363*	..
16. Legislative Department :				
Voted	3,78,000	3,69,851	8,149	..
Non-voted	*1,98,100*	*1,97,408*	*692*	..
17. Department of Education, Health and Lands :				
Voted	5,84,900	5,71,835	13,065	..
Non-voted	*2,44,319*	*2,45,069*	..	*750*
18. Finance Department :				
Voted	11,03,000	8,29,931	2,73,069	..
Non-voted	*2,44,904*	*2,40,623*	*4,281*	..
19. Commerce Department :				
Voted	4,21,000	4,20,227	773	..
Non-voted	*2,05,332*	*2,06,213*	..	*881*
20. Defence Department :				
Voted	4,16,900	..	4,16,900	..
21. Department of Industries and Labour :				
Voted	5,40,000	5,24,697	15,303	..
Non-voted	*1,87,436*	*1,87,401*	*35*	..
22. Central Board of Revenue :				
Voted	2,60,000	2,58,850	1,150	..
Non-voted	*1,35,200*	*1,36,454*	*1,344*	..
23. India Office and High Commissioner's Establishment Charges :				
Voted	17,42,000	15,67,722	1,74,278	..
Non-voted	*23,07,000*	*23,02,538*	*4,462*	..
24. Payments to Other Governments, Departments, etc., on account of Services rendered :				
Voted	1,40,000	1,37,585	2,415	..
25. Audit :				
Voted	91,23,000	89,93,280	1,29,720	..
Non-voted	*9,76,977*	*9,36,196*	*40,781*	..

Statement comparing expenditure with grants for 1937-38—contd.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation. Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
26. Administration of Justice :				
Voted	53,000	36,188	16,812	..
Non-voted	*1,89,514*	*1,83,995*	*5,519*	..
27. Police :				
Voted	2,58,000	2,42,816	15,184	..
Non-voted	*28,000*	*25,951*	*2,049*	..
28. Ports and Pilotage :				
Voted	18,93,000	16,62,390	2,30,610	..
Non-voted	*9,68,653*	*9,65,871*	*2,782*	..
29. Light houses and Light-ships :				
Voted	9,05,000	9,11,765	..	6,765
Non-voted	*10,000*	*10,076*	..	*76*
30. Survey of India :				
Voted	20,04,000	18,05,627	1,98,373	..
Non-voted	*7,10,300*	*6,96,099*	*14,201*	..
31. Meteorology :				
Voted	19,05,000	18,00,887	1,04,113	..
Non-voted	*96,850*	*95,217*	*1,633*	..
32. Geological Survey :				
Voted	2,18,000	2,23,808	..	5,808
Non-voted	*2,43,800*	*2,41,351*	*2,449*	..
33. Botanical Survey :				
Voted	52,000	51,081	919	..
Non-voted	*34,887*	*34,603*	*284*	..
34. Zoological Survey :				
Voted	1,41,000	1,23,124	17,876	..
Non-voted	*48,000*	*47,944*	*56*	..
35. Archæology :				
Voted	10,57,000	10,40,975	16,025	..
Non-voted	*86,630*	*85,857*	*773*	..
36. Mines :				
Voted	1,36,000	1,41,559	..	5,559
Non-voted	*1,25,485*	*1,24,444*	*1,041*	..
37. Other Scientific Departments :				
Voted	2,80,000	2,80,118	..	118
38. Education :				
Voted	7,31,000	7,30,431	569	..
Non-voted	*5,959*	*5,038*	*921*	..
39. Medical Services :				
Voted	7,31,000	7,29,227	1,773	..
Non-voted	*3,49,701*	*3,43,884*	*5,817*	..

Statement comparing expenditure with grants for 1937-38—contd.

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation. Less than granted	More than granted
	Rs	Rs	Rs	Rs.
PART I—CIVIL—*contd*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd*				
40 Public Health				
Voted	8,04,000	7,30,829	73,171	..
Non-voted	*2,55,816*	*2,55,601*	*215*	..
41 Agriculture				
Voted	31,47,000	27,19,971	4,27,029	..
Non voted	*65,667*	*65,637*	*30*	.
42 Imperial Council of Agricultural Research Department				
Voted	10,62,000	9,98,463	63,537	..
Non voted	*1,43,768*	*1,43,791*	.	*23*
43 Scheme for the Improvement of Agricultural Marketing in India				
Voted	4,65,000	4,63,695	1,305	
44 Imperial Institute of Sugar Technology				
Voted	4,00,000	2,31,281	1,68,719	..
45 Civil Veterinary Services				
Voted	8,64,000	7,79,089	84,911	.
Non voted	*60,000*	*58,083*	*1,917*	
46. Industries				
Voted	8,77,000	8,01,870	75,130	.
Non voted	*380*	*378*	*2*	
47 Aviation				
Voted	24,81,000	21,29,363	3,51,637	.
Non-voted	*17,000*	*15,485*	*1,515*	
48 Capital Outlay on Civil Aviation charged to Revenue				
Voted	1,000	.	1,000	
49 Broadcasting				
Voted	15,35,000	13,92,858	1,42,142	
50 Capital Outlay on Broadcasting				
Voted	1,000		1,000	
51 Indian Stores Department.				
Voted	21,97,000	21,91,156	5,844	
Non voted	*1,21,000*	*1,20,040*	*960*	
52 Commercial Intelligence and Statistics :				
Voted	6,34,000	5,89,598	44,402	
Non voted	*75,738*	*71,110*	*4,628*	

Statement comparing expenditure with grants for 1937-38—contd.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
Census :				
Voted .	8,000	7,667	333	..
Non-voted .	*867*	*867*	..	..
54. Emigration—Internal :				
Voted .	15,000	11,098	3,902	..
55. Emigration—External :				
Voted .	1,95,000	1,91,922	3,078	..
Non-voted .	*76,981*	*76,777*	*204*	..
56. Joint Stock Companies :				
Voted .	1,30,000	1,30,044	..	44
Non-voted .	*3,100*	*4,146*	..	*1,046*
57. Miscellaneous Departments :				
Voted .	4,09,000	3,38,678	70,322	..
Non-voted .	*17,888*	*19,802*	..	*1,914*
58. Currency :				
Voted .	13,23,000	13,38,049	..	15,049
Non-voted .	*1,77,225*	*1,82,018*	..	*4,793*
59. Mint :				
Voted .	20,95,000	20,89,282	5,718	..
Non-voted .	*1,20,300*	*1,20,795*	..	*495*
60. Civil Works :				
Voted .	2,25,96,000	2,14,46,173	11,49,827	..
Non-voted .	*30,83,400*	*30,19,763*	*63,637*	..
61. Superannuation Allowances and Pensions :				
Voted .	1,07,23,000	1,11,43,246	..	4,20,246
Non-voted .	*1,79,16,000*	*1,78,65,129*	*50,871*	..
62. Stationery and Printing :				
Voted .	41,39,000	42,23,272	..	84,272
Non-voted .	*60,830*	*59,325*	*1,505*	..
63. Miscellaneous :				
Voted . .	22,55,000	22,18,202	36,798	..
Non-voted .	*31,02,990*	*31,07,677*	..	*4,687*
64. Grants-in-aid to Provincial Governments :				
Voted . .	2,27,000	2,27,000	..	..
Non-voted .	*3,12,00,000*	*3,12,00,000*	..	..
65 Miscellaneous Adjustments between the Central and Provincial Governments :				
Voted . .	14,000	13,562	438	..
Non-voted	*1,48,961*	*1,48,961*	..	..

Statement comparing expenditure with grants for 1937-38—contd.

Number and name of Grant or Appropriation	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation: Less than granted	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—concld.				
66. Expenditure on Retrenched personnel charged to Revenue				
Voted	10,000	9,344	656	..
67. Delhi				
Voted	53,01,000	52,91,287	9,713	..
Non-voted	3,03,267	3,01,677	1,590	..
68. Ajmer Merwara				
Voted	16,37,000	15,98,326	38,674	..
Non-voted	2,84,923	2,82,845	2,078	..
69. Panth Piploda				
Voted	11,000	10,708	292	..
70. Andamans and Nicobar Islands				
Voted	29,85,000	29,85,825	..	825
Non-voted	1,61,621	1,62,645	..	1,024
Staff, Household and Allowances of the Governor General				
Non-voted	17,87,239	17,15,139	72,100	
Public Service Commission				
Non voted	5,24,760	5,25,201		441
Ecclesiastical				
Non voted	27,16,145	27,35,051		18,906
Payments to Crown Representative				
Non-voted	1,07,93,900	1,05,19,427	2,74,473	..
Tribal Areas				
Non voted	2,16,62,999	2,14,50,551	2,12,448	..
External affairs				
Non voted	57,52,174	56,86,818	65,356	
Baluchistan				
Non-voted	50,79,020	50,59,446	19,574	..
Total—Expenditure charged to Revenue				
Total	39,76,68,341	39,25,56,609	62,20,015	11,07,983
Voted	13,29,40,499	12,81,60,243	53,19,297	5,39,041
Non-voted	26,47,28,142	26,43,96,366	9,00,718	5,68[illegible]

Statement comparing expenditure with grants for 1937-38—contd.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation. Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—*concld.*				
B.—EXPENDITURE CHARGED TO CAPITAL.				
71. Capital Outlay on Security Printing :				
Voted . .	1,000	—81,915	82,915	..
72. Irrigation :				
Voted . .	2,68,000	44,252	2,23,748	..
74. Capital Outlay on Schemes of Agricultural Improvement and Research :				
Voted . .	2,37,000	85,409	1,51,591	..
75. Capital Outlay on Vizagapatam Harbour :				
Voted . .	3,87,000	—30,167	4,17,167	..
76. Capital Outlay on Lighthouses and Lightships :				
Voted . .	1,000	..	1,000	.
77. Currency Capital Outlay :				
Voted . .	4,000	—856	4,856	.
78. Delhi Capital Outlay :				
Voted . .	29,55,000	28,14,297	1,40,703	
79. Commuted Value of Pensions :				
Voted . .	7,07,000	7,99,684	..	92,684
Non-voted .	*16,82,000*	*13,85,098*	*2,96,902*	.
80. Expenditure on Retrenched personnel charged to Capital				
Voted . .	1,000	—8,19,143	8,20,143	..
Non-voted .	*—42,136*	*—41,575*	..	*561*
Total—Expenditure charged to Capital :	62,00,864	41,55,084	21,39,025	93,245
Total . Voted . .	45,61,000	28,11,561	18,42,123	92,684
Total . *Non-voted* .	*16,39,864*	*13,43,523*	*2,96,902*	*561*
C.—DISBURSEMENTS OF LOANS AND ADVANCES :				
81. Interest Free Advances :				
Voted . .	48,63,000	47,04,847	1,58,153	..
82. Loans and Advances bearing interest :				
Voted . .	98,49,000	86,04,878	12,44,122	..
Total—Disbursements of Loans and Advances.				
Voted . .	1,47,12,000	1,33,09,725	14,02,275	..
Total—Civil . .	41,85,81,505	41,00,21,418	97,61,315	12,01,228
Total . Voted . .	15,22,13,499	14,42,81,529	85,63,695	6,31,725
Total . *Non-voted* .	*26,63,68,006*	*26,57,39,889*	*11,97,620*	*5,69,503*

Statement comparing expenditure with grants for 1937-38—contd.

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure as compared with Grant or Appropriation: Less than granted	More than granted
PART II—POSTS AND TELEGRAPHS.	Rs.	Rs.	Rs.	Rs.
A—EXPENDITURE CHARGED TO REVENUE				
10 Indian Posts and Telegraphs Department—				
Voted	[illegible]	[illegible]	21,[illegible]	
Non-voted	[illegible]	[illegible]	14,42[illegible]	
B—EXPENDITURE CHARGED TO CAPITAL				
73 Capital Outlay on Indian Posts and Telegraphs Department (Not charged to Revenue)—				
Voted	[illegible]	22,29,[illegible]	21,[illegible]	
Non-voted	[illegible]	2,[illegible]		
Total—Posts and Telegraphs				
Total: Voted	11,[illegible]	11,56,82,912	43,47,[illegible]	2,[illegible]
Total: Non-voted	10,52,[illegible]	[illegible]	43,72,[illegible]	3,[illegible]
PART III—RAILWAYS				
A—EXPENDITURE CHARGED TO REVENUE	66,83,[illegible]	66,29,52[illegible]	14,217	3,0[illegible]
1 Revenue—Railway Board—				
Voted	5,52,[illegible]	6,22,0[illegible]		
Non-voted	3,0[illegible]	3,07,[illegible]		
2 Revenue—Audit—				
Voted	[illegible]	13,[illegible]		6,7[illegible]
Non-voted	2,2[illegible]	2,32,[illegible]	34,[illegible]	2,[illegible]
3 Revenue—Miscellaneous Expenditure—				
Voted			2,25[illegible]	
Non-voted	15,0[illegible]	13,87,[illegible]		
4 Revenue—Payments to Indian States and Companies—	14,50,[illegible]	14,10,1[illegible]	1,37,[illegible]	
			[illegible]	
Voted				
6A Revenue—Working Expenses—Maintenance of Structural Works—	3,2[illegible]	3,20,16,7[illegible]	8,21,227	
Voted				
Non-voted	7,02,2[illegible]	7,0[illegible]		
6B Revenue—Working Expenses—Maintenance and Supply of Locomotive Power—	27,12,[illegible]	26,[illegible]	22,[illegible]	4,85,121
Voted				
Non-voted	16,95,74,[illegible]	17,27,06,315		
	12,22,0[illegible]	12,67,31[illegible]		42,31,[illegible]
				[illegible]

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Statement comparing expenditure with grants for 1937-38—contd.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS—*contd.*				
A.—EXPENDITURE CHARGED TO REVENUE—*contd.*				
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock:				
Voted	5,83,50,000	6,06,93,715	..	23,43,715
Non-voted	*6,51,000*	*6,46,098*	*4,902*	..
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours:				
Voted	28,83,000	28,59,986	23,014	..
Non-voted	*17,000*	*17,831*	..	*831*
6-E. Revenue—Working Expenses—Expenses of Traffic Department:				
Voted	10,49,90,000	10,47,28,228	2,61,772	..
Non-voted	*15,45,000*	*15,20,842*	*24,158*	..
6-F. Revenue—Working Expenses—Expenses of General Departments:				
Voted	4,72,70,000	4,68,85,485	3,84,515	..
Non-voted	*20,30,000*	*20,06,961*	*23,039*	..
6-G. Revenue—Working Expenses—Miscellaneous Expenses:				
Voted	4,18,15,000	4,29,02,300	..	10,87,300
Non-voted	*11,90,000*	*11,51,066*	*38,934*	..
6-H. Revenue—Working Expenses—Electric Service Department:				
Voted	1,18,05,000	1,19,34,216	..	1,29,216
Non-voted	*87,000*	*87,250*	..	*250*
7. Revenue—Appropriation to Depreciation Reserve Fund:				
Voted	12,59,00,000	12,56,97,885	2,02,115	..
8. Revenue—Interest Charges:				
Voted	2,63,000	2,61,247	1,753	..
Non-voted	*29,21,13,000*	*29,23,57,043*	..	*2,44,043*
9. Temporary withdrawals from Depreciation Reserve Fund:				
Voted	8,00,000	8,00,000	..	..
Total—Railway expenditure Charged to Revenue	98,38,44,588	99,01,21,260	20,41,702	83,18,374
Total { Voted	67,98,38,588	68,60,13,038	18,86,698	80,61,148
Total { *Non-voted*	*30,40,06,000*	*30,41,08,222*	*1,55,004*	*2,57,226*

Statement comparing expenditure with grants for 1937-38—concld.

Number and name of Grant or Appropriation	Final Grant or Appropriation	Expenditure.	Expenditure as compared, with Grant or Appropriation. Less than granted	More than granted.
	Rs	Rs	Rs.	Rs.
PART III.—RAILWAY—*concld.*				
B.—EXPENDITURE CHARGED TO CAPITAL				
11 Capital—New Construction.				
Voted	30,00,000	—4,92,950	34,92,950	..
Non-voted	*1,000*	*753*	*247*	..
12. Open Line Works				
Voted	8,43,80,000	8,55,39,797	..	11,59,797
Non-voted	*1,43,000*	*68,197*	*74,803*	..
Discharge of Debentures: *Non-voted*	*1,94,79,000*	*1,94,78,555*	*445*	..
Total—Railway expenditure Charged to Capital	10,70,03,000	10,45,94,352	35,68,445	11,59,797
Total: Voted	8,73,80,000	8,50,46,847	34,92,950	11,59,797
Total: *Non-voted*	*1,96,23,000*	*1,95,47,505*	*75,495*	..
Total—Railways	1,09,08,47,588	1,09,47,15,612	56,10,147	94,78,171
Total: Voted	76,72,18,588	77,10,59,885	53,79,648	92,20,945
Total: *Non-voted*	*32,36,29,000*	*32,36,55,727*	*2,30,499*	*2,57,226*
PART IV.—DEFENCE SERVICES.*				
A.—EXPENDITURE CHARGED TO REVENUE				
58 A—Defence Secretariat—				
India—Non-voted	*11,97,000*	*11,99,000*	..	*2,000*
England—Non-voted	*1,11,000*	*1,01,000*	*10,000*	..
58 B—Defence Services—Proper—Effective—				
India—Non-voted	*33,48,58,000*	*33,82,80,000*	..	*34,22,000*
England—Non-voted	*6,77,56,000*	*6,74,20,000*	*3,36,000*	..
59—Defence Services—Non-effective—				
India—Non voted	*3,69,70,000*	*3,72,41,000*	..	*2,71,000*
England—Non-voted	*4,72,49,000*	*4,72,55,000*	..	*6,000*
60—Defence Reserve Fund—Non voted	*—1,18,81,000*	*—1,54,76,000*	*35,95,000*	..
Total—Defence Services (Non-voted)	*52,62,60,000*	*53,60,20,000*	*39,41,000*	*37,01,000*
GRAND TOTAL	2,15,37,17,093	2,14,44,02,942	2,36,99,645	1,43,85,494
Grand Total: Voted	1,02,87,91,087	1,02,03,27,488	1,83,16,269	98,52,670
Grand Total: *Non-voted*	*1,12,49,26,006*	*1,12,40,75,454*	*53,83,376*	*45,32,824*

* The figures are gross.

APPENDIX III.

Note on Map Sales.

Last year the Public Accounts Committee recommended that the efforts to increase the sales of maps of the Map Record and Issue Office of the Survey of India should be vigorously pursued and a further report on the results achieved should be placed before the Committee this year. The following is a report of the action taken and results achieved during the period September 1938—April, 1939 :—

I.—*Advertisements.*

Regular advertisements were inserted weekly for some months in " The Statesman ", " The Times of India ", " The Hindu ", and " The Illustrated Weekly of India " and by this means certain special maps for which there is a popular demand, *e.g.*, the Road Map, were brought to general notice but expenditure in almost every case greatly exceeded receipts and the results of this systematic advertising can only be described as very disappointing. It should not, however, be assumed that these efforts have been entirely wasted as it is reasonable to expect that the publicity given to certain maps will result in sales that might otherwise never have been effected. In view, however, of the very poor direct result it has been decided to drop systematic advertising and instead, to institute from time to time a short but extensive campaign which will coincide with the issue of a map specially selected for its appeal to the general public or to a particular section of it. This scheme contemplates the use of notices and reviews in papers selected according to the appeal of the map, which will be followed up by advertisements, the issue of folders to selected individuals and institutions and the establishment of suitable contacts. It is hoped by this means to effect sufficient sales to cover the cost of each campaign, while at the same time giving publicity to other maps.

Specially designed folders and posters have been prepared and will be used in conjunction with the scheme outlined above and also for general distribution and display.

II.—*Personal Contacts.*

A tour undertaken by a senior Upper Subordinate officer of the Survey of India with a view to establishing " personal contacts " was successful as not only did the orders received almost pay expenses but much useful knowledge was gained as to the styles of maps most likely to appeal to the various institutions visited. It is proposed to extend the scope of these tours in future.

III.—*Reduction in price of maps.*

In addition to the reductions and concession rates for all maps sold to *bona fide* educational institutions, the prices of the series of Town Guide maps were reviewed and reductions in a number of cases have been brought into force. The possibility of other advantageous reductions is being borne in mind.

IV.—*Agencies.*

The question of establishing a sales depot or organisation in Bombay and of having a representative to meet steamers is under consideration.

This question is connected to some extent with map maintenance policy The desirability of creating a 'Bombay Party' with headquarters at Poona or Bombay, whose responsibility for the maintenance of maps would extend over Bombay Presidency, Deccan States, Baroda and Gujarat States and States of Western India, is also under consideration If such a party were created, the question of establishing a departmental map sales organisation at Poona or Bombay would present little difficulty and would cost comparatively little

V.—*New action*

Various new proposals are also being examined It has been decided to initiate the publication of maps with names in various Indian languages and a start is being made with the new 40-mile maps of India, now being drawn. It is expected that this action will greatly improve the sales of the general maps of India, Provincial maps and certain special maps.

The possibility of publishing a small popular Atlas of India, mainly for use in the schools, is also under investigation This would be published with names in various Indian languages as well as English and it is thought that such a publication would not only be remunerative in itself, but would also serve as a medium for advertising the regular and special maps

It is clear that no spectacular increase in sales can be expected but it is hoped that if an active publicity campaign is developed and steadily pursued, it will eventually result in progressively increasing sales

APPENDIX IV.

Kidderpore Orphanganj Market, Calcutta.

At the 7th meeting of the Public Accounts Committee on the 19[illegible] July 1938 the suggestion was made that Kidderpore Orphanganj Market should be handed over to the Committee that runs the orphanage. The Public Accounts Committee expressed the desire that this matter should be examined.

2. In 1783 Officers of the Bengal Army founded the Bengal Military Orphan Society to provide for children of officers dying in indigent circumstances. In 1790 an orphanage was opened at Kidderpore and this was administered by the Society until 1866. In this year the Bengal Military Orphan Society was liquidated, and Govt. took over the assets and liabilities of the Society in consequence of the passing of the Indian Military Funds Act, 1866. The Orphanage continued under Government management until 1911, when pensions were given to the remaining inmates. The house and grounds of the orphanage were allowed to be used for the Zoological Gardens and the Calcutta Free School.

3. The Orphanganj market is the sole remaining asset of the Bengal Military Society. The retention of this asset is a source of profit to the Government of India, and during the past five years the average annual net profit has been Rs. [illegible]. Pension charges, being statutory liabilities quite independent of the income from the Orphanganj market cannot be avoided or even reduced by surrender of this asset. Proposals for the disposal of this asset were considered a few years ago but these were dropped since there was no prospect of obtaining a fair market value.

4. The suggestion that the market should be handed back to the Committee cannot therefore be regarded as a practical proposal, because there is no such Committee in existence, and Government would lose a valuable source of income without obtaining any reduction of the statutory pensionary liabilities.

APPENDIX V.

Note regarding the write off of the old debit balance in the "Purchases and Sales of Silver Account"

The balance transferred to the head "Purchases and Sales of Silver" on the 1st April 1935, when that head was opened, amounted to Rs 44 61 crores. It was mainly made up of the outstanding loss on the sale of currency silver from 1927 up to that date Since then the following transactions are being recorded under this head —

(1) Sale proceeds of silver ,

(2) Value of gold and copper recovered from the silver refinery ;

(3) Payments made to the Reserve Bank for surplus silver returned by the Bank under section 36 (1) of the Reserve Bank Act, less the share of Burma recovered from the Government of Burma ; and

(4) Incidental charges connected with shipments and sales of silver.

2 *The debits and credits on account of these transactions, which have* reduced the balance to Rs. 44 03 crores on the 31st March 1938, *have been as follows* —

Credits—

(*i*) Sale proceeds of silver	2.28 crores.
(*ii*) Value of gold and copper recovered from the refinery, etc (including a *special* credit of 2 95 crores on account of certain *assets which* lapsed *from the* Gold Standard Reserve)	3.12 crores

Debits—

(*i*) Payment to the Reserve Bank for surplus *silver less the* amount recovered from Burma	4.79 crores.
(*ii*) Incidental charges *on* sales of silver, etc	03 *crores*

3 The balance under this head is thus not a dead balance but one which [illegible] transactions. There is, [illegible] ill serve no purpose to [illegible] Further, the balance [illegible] sale *proceeds of surplus* silver

APPENDIX VI.

Note on the necessity for a Reserve of Rs. 10 lakhs in the Grant for 'Loans and Advances bearing interest'.

The provision for a reserve in the Grant for 'Loans and Advances bearing interest' is a feature of long standing and is designed to secure provision for unforeseen demands which may arise in the course of the year or after the budget has been framed. Owing to the difficulties in estimating provincial requirements in the pre-autonomy years it was never possible to achieve a close estimate under Advances to the Provincial Loans Fund. The estimates were also affected by variations in the demand for the various advances to Government servants, which, before the 1st April 1937, used to cover both the Central and Provincial Governments. With the winding of the Provincial Loans Fund and the stoppage of nearly all advances to Government servants the estimating under this Grant will be much closer, and in future there will be no heads under which savings can be expected as in the past. A reserve for unforeseen demands will therefore be all the more necessary. For it happens on occasions that loan proposals are incomplete at the time the budget is framed and further claims are certain to come in during the course of the year. It is hardly possible to refuse all such applications nor to wait for a supplementary demand for meeting them. In the current year for example the additional loans over the budget estimates have amounted to twice the reserve. It has therefore been decided that this provision should be retained for the present and the question reconsidered if after further experience of present conditions it is found that the reserve is unnecessary.

APPENDIX VII.

Memorandum on the Depreciation Reserve Fund of the Vizagapatam Port

In paragraph 281 of the Commercial Appendix to the Appropriation Accounts (Civil), 1936-37 and the Audit Report, 1938, attention was drawn to the fact that contributions to the Depreciation Fund at the Port of Vizagapatam were not being made on all wasting assets and that contributions in respect of structures such as buildings, docks, timber jetties and bridges, broad and narrow gauge lines, electric crane tracks and also items of plant costing less than Rs 2,000 each, had been discontinued. In July 1938, when considering the Accounts of the Port for the year 1936-37, the Public Accounts Committee desired that the question whether full provision was being made to meet depreciation charges should be further considered and a report submitted to them the following year

2. The Government of India have since considered the matter fully and have now, with the concurrence of the Auditor General, issued orders to the effect that contributions should be made to the Depreciation Reserve Fund in respect of all wasting assets costing more than Rs 2,000 each, with the proviso that so far as railways are concerned, track, as apart from rails and sleepers, should be excluded from the scope of the reserve. According to these orders, the annual contribution from revenue to the Depreciation Reserve Fund will now amount to approximately Rs 2,36,000 If, however, in any year, the port is unable to contribute the full amount, the deficit will be treated as a deferred liability to be met from revenue in future years The Government of India are satisfied that these orders will ensure that as full a contribution as is necessary will, in future, be made to the Depreciation Reserve Fund

APPENDIX VIII.

Report on the Staff employed in the Central Public Works Department.

In pursuance of the undertaking given by this Department at the last meeting of the Public Accounts Committee, the question of relieving Provincial Governments of their responsibility for the maintenance and execution of central civil works was examined. Central works in the United Provinces and the Punjab are already the responsibility of the Central Public Works Department and it has been decided that central works in Madras, Bombay, Bengal, Bihar and Sind should also be taken over by the Central Public Works Department with effect from the 1st April 1940. The Provincial Governments concerned have been informed of this decision, and all proposals for new works to be executed in these areas after the 1st April 1940 will be dealt with by the Central Public Works Department. It is not proposed at present to disturb the existing agency arrangements in Assam, the Central Provinces, Orissa and the North West Frontier Province as the taking over of works in these areas would, on account of their scattered nature and the comparatively small outlay, necessitate an expansion of the Central organization, the cost of which will not be covered by the probable saving in departmental charges.

2. Detailed proposals regarding the organization required in the Central Public Works Department after the transfer of works from the Provinces is effected are under consideration, and it is proposed to re-organize the Circles of superintendence and the divisional charges in the Department by a re-distribution of work, wherever possible, with a view to reducing the number of Circles and Divisions to the minimum consistent with efficiency. A further report on the subject will be made to the Committee next year when the re-organization proposals will have come into force.

3. The Committee will be interested to learn that since the submission of the last report, on the subject, it has been found possible to convert the permanent divisional post of Engineer officer in the Civil Aviation Directorate into that of an Assistant Executive Engineer. The temporary Aviation Division in Delhi has been abolished, and a further saving of Rs. 10,000 per annum has been effected by transferring the Estate work from the Administrative Officer, Central Public Works Department, to one of the Superintending Engineers and by the appointment to the post of Administrative officer of a junior I. C. S. Officer on a lower scale of pay. The total economies expected as a result of these changes amount to approximately Rs. 50,000 per annum.

APPENDIX IX

Note regarding the sale of butter and mutton by the Commissariat Department, Andamans

In 1935 it was found that dairy sales were falling and that members of the detachment and their families were using tinned milk or margarine or obtaining their milk and butter through a contractor whose supplies could not be relied upon either for cleanliness or for quality With a view to induce the members of the detachment to obtain their supplies from the Government dairy farm an arrangement was arrived at between the then Executive Commissariat Officer and the Commander, Rangoon Brigade Area, whereby butter is being supplied to the members of the detachment and their families at concessional rate below cost price This arrangement is beneficial both to Government and to the Settlement as a whole. If the selling price of butter supplied to members of the detachment is increased, it will raise the Defence Department budget, and there is a possibility of demand for dairy products being decreased. The cost prices of cream and butter have been worked out on the hypothesis that no return is expected from the separated milk But as a matter of fact the bulk of this separated milk fetches its full value as it is used to break down the fat percentage of richer milk in order to bring it to normal standard If this is taken into account the actual costs are below the concessional rates

2 Mutton is not sold at concessional rates to the detachment In 1936-37 the selling price of mutton to all purchasers was annas 8 per pound against the cost price of annas 0-9-8 but the loss involved was more than covered by the profit on the sale of beef The selling prices of beef and mutton at Port Blair are higher than those prevailing on the mainland and this has caused grumbling Any further increase in the selling price will possibly reduce the demand and should be avoided as far as possible

APPENDIX X.

Memorandum on the loss on Press Traffic of the Telegraph Branch of the Posts and Telegraphs Department.

At the last meeting of the Public Accounts Committee, the question of loss in the working of the Telegraph Branch of the Posts and Telegraphs Department came in for considerable discussion. In this connection, the concessional rates allowed for press telegrams including multiple press telegrams to different stations were also discussed and the Committee observed that the figures supplied to them seemed to indicate that the bulk of the loss in the working of the Telegraph Branch was due to the concessional rates given to press telegrams. To make this point clear, the Committee, however, desired that a verification of the present basis of the calculation of the loss on press traffic should be made.

2. It is difficult to calculate the gain or loss on a particular kind of traffic in any system which handles several kinds of traffic, and, at best, a calculation can be made only on the basis of certain assumptions. One of the possible methods is that advocated by the Posts and Telegraphs Accounts Enquiry Committee in paragraphs 128 and 129 of their Report (copy attached). The method recommended is that the revenue realised from press traffic should be compared with the amount of savings to the department if this traffic were not handled. This is objectionable in theory because it involves comparing the present position with a position that could not conceivably arise. Even if press telegrams were charged at full rates, some would still be sent ; the press would not refrain from using the telegraphs altogether. The correct basis, in theory, would be to compare the present position of the Department with that which would be reached if the concessional rates were abolished.

But it is impossible to estimate with even an approximation to accuracy how many press telegrams would be sent if they were charged at full rates ; while the system recommended by the Accounts Enquiry Committee gives a practical figure. Provided that it is recognized that the figure of loss so reached will be below the correct figure (for if press telegrams had to go at full rates, there would be a profit on this traffic), it would appear to be the most suitable basis for calculation.

The examination of the case, however, has revealed that the detailed calculations made by the Committee were based on certain assumptions, two of which are not strictly correct. In the first place, the Committee adopted three 'conversion' factors. The first refers to the average number of pages per press telegram ; the second is the equivalent of ordinary telegrams per page of press telegram ; and the third the number of signalling operations per press telegram. The Committee assumed that the number of signalling operations required per telegram was the same for press and for private telegrams. Statistics taken recently for a week showed that, as against 4.87 signalling operations assumed by the Committee the actual figure for press telegrams is only 2.12. Considering that the press messages are usually transmitted to and from the larger stations, where in many cases direct lines exist, it is only natural that the number of signalling operations should be lower in the case of press telegrams. Thus the calculations of the Committee are considerably vitiated. Again recent statistics indicate that the average number of pages in a press telegram has fallen from 2.86 in 1929-30 to 2.34 in 1937-38.

Secondly, the Committee in calculating the savings to the department if the press traffic is not handled took into account a large saving under engineering charges While the inclusion of such charges in calculating the commercial cost of a service would be justified, it must be pointed out that even if the entire press traffic disappears there will be no appreciable saving in engineering charges as lines, wires and apparatus as well as telegraph offices will still have to be maintained at their present efficiency

3 With the two modifications in respect of the number of transmissions per press telegram and exclusion of the savings in engineering charges, which will not in practice materialise, a recalculation has been made in the next paragraph on the basis of the method adopted by the Committee of the savings that would have accrued to the department in 1937-38 if the entire press traffic had disappeared

Estimated amount of saving if the Press Traffic was not handled

1 Number of inland press telegrams during the year			572,440
2 Corresponding number of signalling operations ..			8,519,231
3 Number of operators required at 60,000 operations per operator per annum	142		
4 Number of telegraph masters (142 ÷ 9)	16		
5. Number of leave reserve operators 17 per cent of (142 + 16) ..	27		
6. Number of clerks (142 — 3) ..	47		
7. Number of leave reserve clerks 17 per cent. of 47 . ..	8		
		Rs	
8 Pay of operators, clerks and T Ms ..		4,74,408	
9 Pensionary charges 9 5 per cent ..		45,070	
10 Delivery charges		56,626	
11 Audit charges .		23,783	
		5,99,887	
say		5,99,900	
Receipt from Inland press telegrams		6,73,232	

4 It would thus appear that the savings to the department consequent on the abolition of the press traffic in 1937-38 would amount to nearly 6 lakhs as against a revenue derived from such traffic of nearly 6.73 lakhs

5 It must, however, be mentioned that the above estimate of saving does not in any way constitute a measure of the cost to the department of rendering service to the press which, on correct principles of cost accounting should take into consideration the share of engineering and other overhead expenses Including these charges the commercial cost of handling the traffic in 1937-38 is estimated at a little over Rs. 23 lakhs

as against a revenue of 6.73 lakhs or an estimated loss of 16.33 lakhs. As the total loss to the department on the working of the telegraph branch as a whole was of the same order, it still remains true to say that the bulk of the loss on the telegraph branch is due to press traffic, although as has been pointed out above even if we discarded the entire press traffic we would save less than we receive from such traffic.

6. The figure of 23 lakhs representing the commercial cost of handling the press traffic in 1937-38 is arrived at as follows.

The number of signalling operations involved in handling the press traffic was 8,519,281. We have ascertained that in handling one private telegram, 4.82 signalling operations are involved. Therefore, the press traffic may be held as costing the same as $\frac{8,519,281}{4.82}$ ordinary telegrams.

The cost of handling each telegram in 1937-38 was Rs. 1.305 *vide* Appendix XX of the Annual Report of the Posts and Telegraphs Department for 1937-38.

Therefore the cost of handling the press traffic amounts to $\frac{8,519,281}{4.82} \times 1.305 = 23$ lakhs of rupees approx.

7. The fact is that in the Telegraph Department practically two-thirds of the total cost consists of interest, depreciation and maintenance of capital assets, pensionary charges, accounts and audit and engineering and general administration. Once the capital has been invested, these charges have to be met and remain practically constant ; and the only variable factor is the number of staff employed. The existing equipment and staff can cope with considerable expansion of traffic without very much additional cost. Unfortunately, during the last few years the total number of paid telegrams has indicated a fall. Attempts are being made to revive telegraph traffic by advertisements and by the grant of certain concessional rates specially in regard to Empire telegrams. A new class of *de luxe* telegrams has been introduced in the inland system. The minimum delay on D. L. T. telegrams has been reduced by the introduction of N. L. T. class. Recently we have also introduced business reply telegrams. These and other possible measures in the same direction are the only ones that can effectively reduce the loss. We will also have to consider from time to time the various concessions including those given to the press in regard to multiple press telegrams to different stations.

EXTRACT OF PARAGRAPHS 128 AND 129 OF THE REPORT OF THE POSTS AND TELEGRAPHS ACCOUNTS ENQUIRY COMMITTEE, 1931.

128. We are concerned, by the terms of our reference, with the effect of this concession on the results of the commercial working of the Department as pictured in the accounts. The loss accruing to the Department from its Press traffic formed the subject of comment by the Accountant General, Posts and Telegraphs, in his Appropriation Report on the accounts of the Posts and Telegraphs Department for the year 1923-24, and his estimates of the loss under varying conditions were as follows :—

" (a) if no concession is given to press telegrams and if they are charged for as private telegrams, the Department would have received an additional revenue of a little over Rs. 50 lacs ;

(b) if the concessional rate for Press telegrams is removed and the multiple press concession remains, the additional revenue would amount to about Rs. 24 lacs ;

(c) if the concessional rate remains, and the multiple message concession is removed a rough estimate of the increase in revenue is Rs 4 lacs ;

(d) if the rates for Press telegrams are increased in proportion to the increase in rates effected for private telegrams since 1905, and the multiple message concession is allowed to remain, the increased revenue would amount to about Rs 10 lacs ;

(e) if the rates for Press telegrams are increased in proportion to the increase in rates effected for private telegrams since 1905 and if the multiple concession is withdrawn, the revenue would be increased by something like Rs. 20 lacs."

The number of press telegrams dealt with during 1923-24 was 445,320. This number increased to 505,450 during 1929-30 and the estimated loss referred to above will now be correspondingly increased.

129 We have examined the estimates of the Accountant General. We do not think that the difference between the amount actually recovered, and that recoverable at the rates applying to public traffic, is a true measure of the loss incurred by the Department, for enhancement sufficient to raise the Press traffic rates to the level of those chargeable on ordinary traffic must inevitably reduce the volume of traffic We consider that a truer measure of the loss is the saving that could be effected if no Press traffic had to be handled ; and, at our request, the Director General of Posts and Telegraphs, has kindly prepared an estimate of this amount, based on the statistics for 1929-30 His estimate is summarised below :—

Number of inland Press telegrams	505,450
Corresponding number of signalling operations	505,450 × 2 86 × 3 × 1 72 = 2,04,69,511

N.B.—These factors are conversion factors meant to allow for the length of Press messages and for multiple telegrams, and must be applied to determine the actual amount of work involved in the disposal of this traffic

Amount of saving if the traffic is not handled.

	Rs
On pay of Telegraph Master, Operative telegraphists and clerks including leave reserve, etc	16,07,000
Pensionary charges at 8 per cent of pay	1,28,000
Delivery charges	50,000
Engineering charges	8,92,000
Audit charges	21,000
Total saving	26,98,000
Deduct receipts from Inland Press messages	5,45,000
Net saving	21,53,000 per annum.

APPENDIX XI.

Memorandum on the adjustment between the different branches of the Posts and Telegraphs Department of the contribution made from revenue to the Renewals Reserve Fund.

It was explained to the Public Accounts Committee at their meeting held on 26th July 1938, that further adjustment of contribution payable by the different branches of the Posts and Telegraphs Department to the Renewals Reserve Fund was under consideration.

2. The total amount of annual contribution to the Renewals Reserve Fund now is 23.05 lakhs and is at present apportioned in proportion to the capital outlay (as shown in the Finance and Revenue Accounts) of each branch on the last day of the previous year. The assets of the Postal Branch which consist almost exclusively of buildings are, however, taken as only 60 per cent. of the capital outlay for the purpose of this distribution, in view of the generally longer life of the assets of the Postal Branch.

3. After considering the actual withdrawals of the different branches for the last ten years as well as the capital value and lives of the assets of each of the branches, it has been decided, with the concurrence of the audit authorities, that the total amount of contribution should be apportioned between the different branches hereafter in the following proportions :—

(*a*) Post Office	10 per cent.
(*b*) Telegraphs	60 per cent.
(*c*) Telephones	25 per cent.
(*d*) Radio	5 per cent.
	100 per cent.

It is proposed that these percentages should apply for 1939-40 and 1941, after which the amount of annual contribution to Renewals Reserve Fund will have to be reconsidered.

APPENDIX XII.

Ecclesiastical

As explained to the Public Accounts Committee in 1937, persons residing at hill stations were enumerated in August 1937, while a general census of persons at all stations was taken in February 1938. The entire ecclesiastical expenditure is at present under review with reference to the results of these enumerations. It was intended to allocate the ecclesiastical charges to the Civil, the Defence and the Railway Departments after the completion of this review. But to avoid further delay, the question of allocation is being considered separately in consultation with the Departments concerned. As soon as this allocation is settled the budget and accounts will be prepared on that basis. It is hoped to give effect to this in the year 1940-41.

APPENDIX XIV.

Overstocking of R. A. F. Stores.

In paragraph 5 of the proceedings of the meeting held on the 12th July 1938, the Military Accounts Committee desired that the Director of Audit, Defence Services should submit a review on the report to be prepared by the Air Officer Commanding on the progress made in the review of R. A. F. stores.

2. The report furnished by the Air Officer Commanding gives a complete picture of the situation.

3 The changes introduced in the review of stores (other than obsolete stores) are indicated in paragraph 38 of the Audit Report, 1939 ; and it has been stated in paragraph 39 that no clear case of avoidable overstocking was noticed by audit Annual reviews of stock are held to be impracticable ; and the future reviews, like the present, will be biennial

4 It appears that, out of stores of a book value of Rs 1,88,600 struck off, stores worth Rs 79,751 only had actually been disposed of up to May 1939 The possibility of speedier disposals of redundant (and therefore depreciating) stores seems to merit consideration

Note regarding R. A. F. Store Procedure.

The information called for by the Military Accounts Committee may best be considered under the following two headings and in continuation of Appendix XIX to the Report of the Public Accounts Committee on the accounts of 1936-37, Volume I—Report, Part I :—

(a) Progress made in connection with the revision of the Equipment Regulations and Tables.

(b) Results of the Stock Review.

The work of the Revision Section has now been completed and the Flight Sergeant ceased to be attached to the Equipment Branch of the staff with effect from 25th March, 1939.

2 As regards (a) the following progress has been made since the position was examined by the Military Accounts Committee on the accounts of 1936-37 ,—

(i) *Revision of Equipment Regulations.*—The chapters regarding "Accounting of Explosives" and "Accounting of Equipment in War" have been drafted and it is hoped to issue them shortly.

(ii) *Equipment Tables, Parts I, II, III and IV.*—All the required tables have been completed and distributed.

3 The first Stock Review which had to be spread over two years has been completed. As it is impracticable to complete subsequent reviews annually without the employment of additional staff to deal with the work, it has since been decided that the review should, like the stock-taking programme, be on a biennial basis.

4. The result of the first review is as under :—

	Book Value. Rs.
(*a*) Value of stocks put up for disposal—	
(*i*) Equipment classified as surplus to requirements	82,046
(*ii*) Equipment classified as obsolete ..	1,06,554
Total ..	1,88,600

Actual disposals are effected through the Director of Contracts, but it has been ascertained that on the 18th May 1939, the book value of the equipment put up for disposal under this review and still awaiting disposal was Rs. 1,08,849.

	Number of items.
(*b*) Number of other items considered for disposal but retained—	
(*i*) Obsolete equipment	48
(*ii*) Current equipment in excess of normal stockholdings but not considered surplus to requirements	3,885

It is not possible to state the cost of the items retained without considerable clerical labour. The items of obsolete equipment were retained because it was felt that they might be useful in any emergency. It is anticipated that the items of current equipment retained will be used up in the normal course. Stocks of all items retained will again be reviewed in the course of the next stock review.

APPENDIX XV.

Memorandum on the processes of estimating now in force and suggestions for their improvement.

This memorandum has been prepared in compliance with the request of the Military Accounts Committee in para 4 of their Report and para. 15 of their proceedings of their meeting last year

The budget estimates consist of two parts—the estimate of standing charges and the estimate for New Demands. The standing charges represent the more or less stable amounts required to meet the ordinary maintenance charges of the forces, *e g.*, pay of personnel, purchase and manufacture of supplies and equipment, cost of movement of personnel and stores, pension charges, etc The New Demands are sums required to carry out new schemes of improvements in organisation, equipment and training which are necessary if the forces in India are not to fall below modern standards

As in the other Branches of Government the annual total of New Demands far exceeds the amount of money which can be made available to meet them The usual procedure is for the standing charges to be evaluated first. To [illegible] Demands depending in amour [illegible] il Government as a whole whi [illegible] competing demands. Usually a list of New Demands is drawn up and arranged in order of priority by Principal Staff Officers in September or so for approval by His Excellency the Army Member and when the amount available for New Demands becomes known, nothing remains but to draw a line through the list at the appropriate point. The Military Finance Branch see that the estimates of cost of the various measures are correct and complete, and it is open to them to press for a high place to be given to some particular schemes on financial grounds, *e g.*, that it will result in a recurring saving

The estimate of standing charges is built up from a mass of detailed estimates under different heads. The heads are broadly classified for purposes of control into locally controlled heads, for example, incidental and miscellaneous expenses, and local purchase of stores, and centrally controlled heads, for example, pay and allowances of permanent personnel, and central purchase of stores. Estimates for locally controlled heads are submitted by local authorities through their Controllers of Military Accounts to the administrative branch of Army Headquarters ; in the case of centrally controlled heads, the branch of Army Headquarters concerned makes out the estimates initially though the branch may call for estimates from local authorities under any particular heads, if it so desires The estimates under both sets of heads are prepared in close co-operation with the Military Finance Branch.

The actual method of preparing estimates varies in accordance with the data available, but in all heads account is taken of such factors as the actual expenditure of previous years, the progress of expenditure in the current year, changes of [illegible] end of prices, etc. [illegible] ear These prelimi [illegible] out the middle o' [illegible] in his Central Budget Section. That Section maintains a complete statistical record of expenditure under each head over a period of years and by the

middle of December has also a consolidated record of the actual expenditure of the first 8 months of the current financial year. The estimates prepared by the branches are checked with reference to these statistics and are subjected to a detailed critical examination. These estimates are then consolidated and placed before the Principal Staff Officers by the Financial Adviser at a meeting of the Principal Staff Officers. On approval the estimates are then submitted to His Excellency the Defence Member for final approval. It will be seen that there is close co-operation at all stages between the administrative and financial authorities, the common object being to arrive at a figure under each head which will make sufficient but no more than sufficient provision to cover the charges likely to be brought to account under that head.

The above represents broadly the main processes of budgeting; recently there have been certain improvements to which attention may now be drawn.

One is that, until the budget of the current year, the budget estimates were largely pared down to the level of the Treasury grant at the instance of the Military Finance Branch before the consolidated estimates were put up to Principal Staff Officers. This was suitable as far as obligatory charges such as pay and allowances were concerned but in regard to maintainenance services it often led to a feeling in the administrative branches that their requirements were being cut down arbitrarily. The budget estimates of the current year were for the first time placed before an "Estimates Committee" consisting of the Deputy Principal Staff Officers and Deputy Financial Advisers and the estimates of standing charges (*i.e.*, obligatory charges and maintenance services) and of certain minor new measures were accepted by the Committee before they were placed before the Principal Staff Officers. This helped to associate the administrative authorities even more closely than before in the process of 'pruning' the demands, and to remove the feeling that the 'pruning' had been done solely by finance. This procedure will form an important feature in the preparation of future budget estimates. This is understood to be in conformity with the War Office procedure.

Another improvement is that in regard to certain estimates of pay charges under the Head "Fighting Forces in India". Reliance was placed in the past mainly on the actuals of previous years, modified with reference to changes since the previous years. At the instance of the late Financial Adviser, the estimates were first built up on statistical data of the establishments that were likely to be in service in the budgetary year, and were then tested in the light of past actuals. This also conforms to War Office procedure. Its results will be carefully watched.

The late Financial Adviser desired it to be stated that the budgetary processes in vogue in this country were in his opinion quite as satisfactory, if not more detailed in certain respects, than those at Home and a few of the improvements that he still contemplated were of a minor character. They related mainly to the improvement of the statistical data in regard to establishments, and the adoption by administrative branches of common figures for purposes of budgeting for pay, rations, ordnance maintenance, etc. This will be done with effect from the next budget. A reduction in and simplification of budget headings should also result in improved budgetting and this matter has been taken up and is being closely pursued.

APPENDIX XVI.

Establishment charges in the M. E S.

In pursuance of the wishes of the Military Accounts Committee, as expressed in paragraph 25 of the proceedings of their meeting held in July 1938, the question of establishment charges in the M E. S has been considered

2. The Military Accounts Committee commented on the fact that the percentage of establishment charges remained in the neighbourhood of 24.00 for the three years ending 1936-37 and considered this was high This percentage depends *inter alia* on—

(i) the total amount of work done in a year , the larger the amount of work done the lower will be the percentage figure,

(ii) the stages at which the different works stand in that year ; in their initial stages the percentage of establishment to works is likely to be higher than in latter stages,

(iii) the amount of credits for works done for other departments which go to reduce the cost of establishment.

The effect of these factors varies from year to year and the percentage for establishment charges varies in sympathy. The percentage figures for 1935-36 and 1936-37, for example, were affected mainly by the fact that the work in Quetta was in its initial stages and involved a comparatively higher outlay in establishment expenses In 1937-38 that work had got into its stride, the total work done by the M E S. was larger than in the two preceding years, and credits from Civil Departments exceeded those in the preceding years ; all these factors combined resulted in lowering the percentage figure to 20 27.

3. The working of the M E S and the employment of establishment in that department has certain special features which do not appear in a civil works department of Government or a commercial engineering concern In judging the reasonableness of the percentage of establishment charges in the M. E S. it is proper that an allowance should be made for these special features Briefly speaking, they are as follows :—

(a) M. E S. Establishments are not determined solely by the requirements of peace time work It is essential for reasons of policy that those establishments should contain a minimum number of Royal Engineers and British Warrant Officers and the extra costs of having to keep them can justly be regarded as an item of War Insurance

(b) The establishment employed in the M. E S perform certain military duties which are not connected with engineering works proper, *e g.*, M. E S officers have to undergo military training and have to spend a considerable portion of their time on military training.

(c) An appreciable portion of certain M. E. S. establishments' time is employed in connection with the administration, handing over, etc., of military buildings and the collection of Revenue Receipts The cost of such establishment is included in the establishment charges of the M E S but the

amount of work done in connection with these buildings or receipts is not included in the value of works done.

(*d*) The M. E. S. carry out a considerable amount of work for bodies or departments other than Army proper, *e.g.*, the Indian Ordnance Factories, R. A. F., Civil Departments, Cantonment Boards, and they levy departmental charges to reimburse themselves for supervision or direction costs on such works. The percentages vary with the departments and in a number of cases the departmental charges are less than the actual *pro rata* rate recoverable. To arrive at a correct idea of the efficiency of supervision in M. E. S. it seems proper that this percentage should be assessed on the basis of the gross value of works done and the gross value of establishment charges.

(*e*) M. E. S. maintain large Mobilization and Reserve Stocks, the establishment connected with which is included in the establishment charges on which the percentage is based.

4. A rough estimate has been made of the allowances to be made in respect of factors at (*b*), (*c*), (*d*) and (*e*) in the preceding paragraph and after making these, the percentage of establishment charges in the M. E. S. for 1937-38, would approximate to 18.00. This percentage is considered to be not unreasonable, especially when regard is had to the factor at (*a*) in paragraph 2 above, in respect of which it is difficult to estimate the allowance to be made with any degree of accuracy. The establishment percentage in the Central P. W. D. for 1936-37 was 17.70 and for 1937-38 it was 15.60.

5. The question of establishment charges in the M. E. S. receives the constant and careful attention of the M. E. S. administrative authorities. The financial authorities review the position each year, and bring variations in such expenditure to the notice of the administrative authorities. The Engineer-in-Chief's Branch have recently undertaken a review of the Temporary Establishment employed in the M. E. S. with a view to seeing if such establishment can be employed on a more economical basis.

APPENDIX XVII.

Surveyors of Works.

In paragraph 26 of the proceedings of the meeting held on the 13th July 1938, the Military Accounts Committee desired that the Director of Audit, Defence Services, should submit a report on the distribution of responsibility for internal check consequent on the introduction of the Specialist Cadre of Surveyors of Works

2 The transfer from the Military Accounts Department to the Surveyors of Works Cadre of responsibility for applying to works expenditure certain checks of a technical nature was reported in paragraph 30 of the Audit Report, 1938. This transfer has taken place in those areas only where the Surveyors' Cadre is more or less complete, *i e*, in Northern Command and Quetta Reconstruction An annotated statement showing the present strength and distribution of this Cadre, obtained from the Engineer-in-Chief's Branch, is annexed.

3 The two authorities between which the field of responsibility for internal check has now been sub-divided are properly seized of their respective functions ; and, except for a short-lived misapprehension in the Eastern Command, when its Surveyors were suddenly diverted to Quetta Reconstruction early in 1938-39, the new system has worked satisfactorily in practice Indeed, in the Northern Command, where the Controller of Military Accounts used his discretion to recheck bills already passed by Surveyors, he was able to convince the executive authorities of certain errors and omissions and secured recoveries from contractors in about a dozen instances These errors may fairly be attributed to the still insufficient staff of Surveyors in this Command, or to incidental lapses which should not recur after the new system has become more familiar to all concerned The Chief Technical Examiner is satisfied that this Cadre, both directly and indirectly by their educative influence, has already secured valuable economies through more precise estimating, closer tendering and more accurate preparation of bills , and audit sees no reason for dissenting from his conclusions.

At present the provisions of F. D (Military) letter No 181|Accts, dated 26th October 1937, have been extended to Northern Command and Quetta Reconstruction only The position as regards the posting of the Surveyors of Works is as follows on 1st April 1939 :—

	Authorised	Actual number on duty
A H. Q.	10	1 S S. W
Northern Command	11	7 (including 1 S S. W and 1 Dy. S. S. W.)
Eastern Command	8	1 S S W
Southern Command	8	1 S S. W.
Quetta Reconstruction	2 4 (Tempy)	* 14 (including 1 S S W)
Western (Ind) District	4	
C T E.	4	3
Leave Reserve	4	4 (3 pending termination of their contracts)
Total	46	31

*8 on loan from other Commands

NOTE.—Further recruitment of Surveyors of Works from the United Kingdom for service in India has however, been stopped for the present as suitable candidates have declined to accept employment on the existing rates of pay and conditions of service approved by the Government of India for this class of personnel It will, therefore, be some time before our requirements are complete in this respect, *i e*, until we have sufficiently trained a number of subordinate S W staff to a stage when they can be promoted Surveyors of Works.

APPENDIX XVIII.

Defence Reserve Fund.

The Government of India were asked in paragraph 6 of the report of the Military Accounts Committee that sat in July last year to furnish a report on the Defence Reserve Fund.

The Defence Reserve Fund now no longer plays the same role in the Defence Services Budget as it used to in the past. Originally it was used as a receptacle in which the unexpended balances of the annual Contract grants for Defence expenditure, whether due to genuine savings or to carry-forward liabilities, were stored for subsequent use. With the cessation of the Contract budget, it still remained intact and was used for much the same purposes except that the savings that went into the Defence Reserve Fund were those that accrued out of the normal grants of the year.

Up till 1937-38 this fund used also to accommodate the Equalisation funds, but since that year these funds have been kept in separate suspense accounts opened for the purpose in the Deposit section of Government Accounts.

Due to the elimination of safety margins in respect of prices of foodstuffs, a closer budgetting under all heads in view of the restricted grants from the Treasury, the rise in obligatory charges of the Defence Services due principally to the improvements in the conditions of service of British soldiers in India, and to the recrudescence of prolonged operations on the Frontier, etc., the Defence Services budget has from the year 1936-37 ceased to yield any genuine savings. By 1937-38 the free balance in the Fund was exhausted. The fund has, therefore, been confined to serving as a vehicle for carry-forward liabilities on budgeted measures, including underspent amounts on budgeted Military Engineer Services works earmarked for regrant in the subsequent year.

If however a scheme of re-armament is to be carried through with the maximum economy, and with the minimum disturbance to the Central budget, the Defence Reserve Fund will again have to function as the repository of savings in standing charges, because such savings will be required to meet excesses in subsequent years over the normal budget provision for the Defence Services as a whole. But it has been decided not to use the Defence Reserve Fund more than is absolutely essential. For example, it has been decided that any grants for capital expenditure such as the £5 million to be received from His Majesty's Government will be kept separate in the 'Deposit' section of the accounts and will be utilised exclusively for the purpose of modernising the Defence Forces.

The suggestion to include the Land Sales Suspense Account in the Defence Reserve Fund has been considered. The Land Sales Suspense Account was created for financing essential military works expenditure, whereas the Defence Reserve Fund is generally to be utilised on reequipment measures. To amalgamate a fund which has a very restricted purpose and is controlled by one individual Principle Staff Officer with the Defence Reserve Fund which is a general reserve, controlled by all P. S. Os., is not considered desirable. Indeed as has been already mentioned even equalisation funds which originally formed part of the Defence Reserve Fund were transferred from 1937-38 to a separate head under 'Deposits' for the same reason, namely that these funds served specific purposes of their own

APPENDIX XIX.

Grass Farms

In pursuance of the desire of the Military Accounts Committee that the question whether the system of Military Grass Farms could not profitably be extended, should be examined, the position was reviewed

The Grass Farms are divided into 5 Circles. The total quantities of fodder produced and purchased in 1935-36 to 1937-38 in each of these circles are given below. The figures for 1937-38 are abnormal owing to Waziristan Operations.

—	Quantities produced			Quantities purchased.		
	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38
			Tons			Tons
1st Circle . .	13,582	15,260	17,619	29,034	22,481	24,247
2nd Circle .	22,127	26,932	21,874	9,531	8,079	5,265
3rd Circle	28,870	33,153	30,184	145	27	14
4th Circle .. .	..		1	17,913	12,961	13,367
5th Circle . .	22,682	20,098	20,161	10,387	11,395	10,600
Total .	87,261	95,443	89,839	67,010	54,943	53,493

Generally speaking production has increased and purchases have decreased But for the Waziristan Operations which necessitated larger purchases in the first circle in 1937-38, the relative position of production vis-a-vis purchase would have shown a further improvement in that year

As already explained purchases are mainly resorted to in places where fodder cannot be produced and transportation from other farms is un- [illegible] A [illegible] which [illegible] As regards the 4th Circle, no farming is undertaken as lands are not available in the area and it is not economical to do so. The requirements of this Circle are therefore partly met by transfer from other circles and partly by purchases *Fodder being a bulky article is uneconomical to transport* to distant places, say over 100 miles. Extensions in other circles beyond this distance with the object of providing fodder to the 4th Circle will not, therefore, result in any economy. The farms in other circles are generally working to their maximum capacity.

The progressive mechanisation of the army in India will result in a considerable reduction in requirements of fodder and the consequent abolition of some of the existing grass farms. This is not, therefore, the time at which a scheme for expanding Military Grass Farms can profitably be embarked upon

APPENDIX XX.

Dairy Farms.

In pursuance of the recommendation of the Military Accounts Committee on the accounts of 1936-37 contained in paragraph 34 of their proceedings, the question whether the military dairy produce was not being sold unduly cheaply as compared with market rates was examined.

The first point for consideration is whether there exists a market rate for dairy produce of *the same quality* with which the prices charged by military dairy farms can be compared. There is *only* one firm in India—and that operating only in a few stations—whose produce can be compared in quality with that of military dairies. The prices charged by this firm cannot be regarded as competitive and it will consequently be misleading to compare the prices charged by them with those charged by military dairies. The quality of the dairy produce otherwise obtainable in India cannot be compared with that produced by military dairies. So far as is known the average prices of "bazaar" produce are cheaper than those charged by the military dairies.

In the absence of a true market rate with which the prices charged by Government dairies can be compared, the only available criterion for judging whether the prices charged are "too low" is whether the sale of the produce results in a loss in the working of the farms. The Trading Accounts show that these are run on a profit and the cost of production inclusive of all direct and indirect charges is more than recovered from the customers.

There are however other considerations bearing on this question which may be briefly stated as follows :—

1. Military dairy farms exist primarily for the supply of pure dairy produce to hospitals and troops and so long as they serve this primary purpose without involving the State in loss, they have justified themselves. It was never intended that military dairies should be profit-making concerns.
2. British soldiers are compelled to purchase their requirements from military dairies where they exist. To enhance prices much beyond the costs of production and still to compel troops to purchase military dairy produce would be unjustifiable. Furthermore one cannot charge more than the troops can afford to pay.
3. If prices are enhanced and the soldier is given liberty to purchase from whatever source he prefers, it is inevitable that with his limited income he will turn to the cheap "bazaar" products. This will have a twofold effect. The trade of the military dairies will be reduced considerably involving a very high cash outlay for the limited quantities required by hospitals and the health of the troops will be affected with consequent deterioration in efficiency and increase in the incidence of sickness. These are contingencies which the military dairies were intended to obviate and have done so with considerable success.

For the above reasons, it is not considered desirable or equitable to make any change in the policy underlying the fixation of prices of military dairy produce.

APPENDIX XXI.

Revision of the form of Accounts of Medical Store Depots.

[illegible] the [illegible] method of comp[illegible] Depots accounts was under discussion and that numerous changes in the form of accounts were contemplated. Certain of those changes have since been introduced in the "Consolidated Profit and Loss Account" for 1937-38 published in the Commercial Appendix to the Appropriation Accounts of Defence Services for 1937-38. Further improvements have been proposed and the question is under discussion with the administrative and other authorities concerned at Army Headquarters.

2 In the meanwhile, a Committee was formed under the auspices of the Defence Department, to examine the present organisation of the Medical Store Depots in all its aspects including administrative and financial control, internal administration and its relations with civil customers and method of pricing and to make recommendations thereon. The findings of this committee are awaited and pending receipt of their report, final decisions on points concerning further improvements have been held over by the administrative authorities.

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For the above reasons, it is not considered desirable or equitable to make any change in the policy underlying the fixation of prices of military dairy produce.

APPENDIX XXIII.

Annual Certificates of the Master-General of the Ordnance in India.

I certify that on 31st March 1939

1. The mobilization equipment and clothing authorised to be held for the mobilization of the Army in India and detailed in published War Equipment Tables was complete to the extent to which the quantities have been provided with the following exceptions :—

(a) Fluctuations due to the normal maintenance of such equipment

(b) Deficiencies due to a fire in Quetta Arsenal on the 30th March 1937 when a considerable amount of mobilization equipment was destroyed

2. War Maintenance Reserves detailed in published War Maintenance Reserve Statements, and which have been provided, were complete with the exception of fluctuations normal to the maintenance and turn-over of such reserves

3 Materials and semi and fully manufactured articles specially set apart or provided from within the factory budget or from funds specially allotted are complete . also machinery provided from any special allotment of funds was complete with the exception of certain items which although on order have not been received as yet. Calculation of deficiencies in the War Maintenance Reserves of Ordnance and Clothing Factories is in hand

The 7th June 1939.

C C. ARMITAGE,
Lieut.-General,
Master-General of the Ordnance in India.

I certify that on 31st March 1939, the war reserves of stores authorized by the Government of India to be held at that date for the mobilization of the Army in India (less M T. Repair and Maintenance units and M T. vehicles, for which a separate certificate will be rendered) and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves the adjustment of which is in hand, and with the exceptions shewn in the attached annexure.

The 16th June 1939.

B. MOBERLY,
Lieut.-General,
Quartermaster General

ANNEXURE TO THE CERTIFICATE, DATED 16TH JUNE 1939.

Supply Units whose war equipment is complete in all respects.

No. 62 Depot Section.

No. 35 P. O. L. Section.

Nos. 3, 6 and 9 Railhead Supply Detachments.

No. 7 Field Butchery Section B. T. (I).

No. 108 Field Butchery Sub-Section B. T. (I).

Nos. 1 and 2 Local Purchase Sections.

H. Q. No. 2 Cattle Supply Unit Class II.

No. 9 Cattle Supply Section Class II.

No. 3 Cattle Supply Section Class IV.

Supply Units whose war equipment is deficient of a few minor items but which could be sent on Field Service.

Nos. 1—12 (12) Supply Issue Section.

Nos. 15—19 (5) Supply Issue Section.

Nos. 21—28 (6) Supply Issue Section.

Nos. 28—31 (4) Supply Issue Section.

H. Qrs. Nos. 1 and 8 Supply Personnel Companies.

Nos. 1, 2, 7, 9, 10, 17 to 19, 22, 34 to 41, 54, 56 to 59 and 101 Supply Depot Sections.

No. 19 P. O. L. Section.

Nos. 1, 2, 4, 5 and 7 Railhead Supply Detachments.

Nos. 3, 4 and 7 Field Bakery Sections B. T. (I).

Nos. 106 to 108 (3) Field Bakery Sub-Sections (I).

Nos. 1 and 3 Field Butchery Sections B. T. (I).

Nos. 103, 105 to 107 (3) Field Butchery Sub-Sections B. T. (I).

Nos. 1, 3, 4 and 6 Cattle Supply Units Class II.

Nos. 1 to 8 (8), 10 and 14 Cattle Supply Sections Class II.

Nos. 1, 6 and 8 Cattle Supply Sections Class IV.

H. Qrs. Divisional R. I. A. S. C.

Supply Units whose war equipment is deficient to the extent as to render them unfit to proceed on Field Service.

Nos. 13, 14, 20 and 27 Supply Issue Sections.

H. Qrs. Nos. 5 and 7 Supply Personnel Companies.

Nos. 3, 8, 13, 24, 29 to 32, 46 to 53, 55, 60 and 61 Depot Sections.

Nos. 1, 2, 5, 17, 18, 21 to 23, 27 to 31 and 34 P. O. L. Sections.

Nos. 8, 10 and 11 Railhead Supply Detachment.

H. Qrs. Nos. 1 and 2 Field Bakery.

No. 6 Field Bakery Section (I).

Nos. 102, 104, 109 to 111 (3) and 113 Field Bakery Sub-Sections (I).

H. Qrs. Nos. 1 and 2 Field Butcheries B. T.

Nos. 4 to 6 (3) Field Butchery Sections B. T. (I).

Nos. 101, 102, 104 to 109 to 111 (3) Field Butchery Sub-Sections B. T. (I).

No. 1 Cattle Supply Unit Class I.

H. Qrs. No. 6 Cattle Supply Unit Class II.

Nos 11 to 13 (3) and 15 Cattle Supply Sections Class II.

Nos. 2, 4, 5, 7 and 9 Cattle Supply Units Class IV.

NOTE.—The deficiencies of war equipment of the supply units referred to above are at present being adjusted in accordance with D. O. S., A. H. Q., letter No. 14252|21|M.G-7-B, dated the 27th February 1939.

I certify that on the 31st March 1939, war reserves of M T vehicles authorised by the Government of India to be held on that date for the mobilization of the Army in India were complete, except as shewn below :—

(*i*) Motor cycles, solo (Indianization of Indian Signal Corps) .. . .. Nos. 4

Necessary orders for the 4 motor cycles have been placed.

(*ii*) Lorries, 30-cwt, 6-wheeled .. .. Nos. 12

(*a*) Indianization, Indian Signal Corps, 1936-37	4
(*b*) Mechanization of Draught Cable Section, Corps Signals .. .	4
(*c*) Indianization, Indian Signal Corps, 1938-39	4
	12

(*a*), (*b*) and (*c*) The deficiency is being made good from the "type 15" lorries which have been released by 2 Cavalry Brigade M. T Companies on replacement by new vehicles.

(*iii*) Lorries, disinfector .. .. .. Nos. 4

The deficiency will not be made good, as this type of vehicle will be replaced by the portable disinfecting plants.

B. MOBERLY,
Lieut.-General,
Quartermaster General

The 24th July 1939.

exceptions of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves the adjustment of which was in hand

B. MOBERLY,
Lieut.-General,
Quartermaster General

The 4th August 1939.

L00FinD—832—4-9-39—GIPS

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

Part I.—Civil, Posts and Telegraphs and Defence Services.

Financial results of the year—The following table compares the original and final grants and appropriations with the actual expenditure for the year :—

(In lakhs of Rupees.)

	Original grant or appropriation	Final grant or appropriation	Actual expenditure
Expenditure charged to revenue (Voted)	24,76	24,92	23,66
Expenditure charged to capital (Voted)	2,93	2,92	2,59
	27,68	27,84	26,25
Disbursements of loans and advances (Voted)	1,41	1,47	1,30
Total (Voted)	29,09	29,31	27,55
Expenditure charged to revenue (Non-voted)	78,40	79,02	78,91
Expenditure charged to capital (Non voted)	14	10	8
	78,54	79,12	78,99
Disbursement of loans and advances (Non-voted)		1	1
Total (Non-voted)	78,54	79,13	79,00
Total expendutire charged to revenue	1,03,16	1,03,94	1,02,57
Total expenditure charged to capital	3,06	3,02	2,67
Total disbursements of loans and advances	1,41	1,48	1,31
GRAND TOTAL	1,07,63	1,08,44	1,06,55

There was thus a total saving of Rs. 189 lakhs or 1.74 per cent of the final grant

The following table compares the percentages of savings in the three main sections of the budget for the last five years :—

	1934-35	1935-36	1936-37	1937-38.	1938-39.
Expenditure charged to revenue	—1 1	56	35	·73	1·32
Expenditure charged to capital	8 9	6 99	16·78	34·4	11·59
Disbursements of loans and advances	49·2	8 79	59 82	9 53	11·49
Combined percentage	2·9	1·69	3·21	1·24	1·74

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